

REFERENCE TITLE: **online home sharing; repeal**

State of Arizona
House of Representatives
Fifty-fifth Legislature
Second Regular Session
2022

HB 2207

Introduced by
Representatives Butler: Andrade, Blackwater-Nygren, Cano, Fernandez B,
Powers Hannley, Solorio

AN ACT

REPEALING SECTIONS 5-900.39, 11-269.17 AND 42-1125.02, ARIZONA REVISED STATUTES; AMENDING SECTIONS 42-2003, 42-5005, 42-5009, 42-5010 AND 42-5014, ARIZONA REVISED STATUTES; REPEALING SECTION 42-5042, ARIZONA REVISED STATUTES; AMENDING SECTION 42-5061, AS AMENDED BY LAWS 2021, CHAPTER 266, SECTION 3 AND CHAPTER 412, SECTION 7, CHAPTER 417, SECTION 4, AND CHAPTER 443, SECTION 2; AMENDING SECTION 42-5061, AS AMENDED BY LAWS 2021, CHAPTER 266, SECTION 4, CHAPTER 412, SECTION 8 CHAPTER 417, SECTION 5 AND CHAPTER 443, SECTION 3; AMENDING SECTIONS 42-5070 AND 42-5071, ARIZONA REVISED STATUTES; REPEALING SECTION 42-5076, ARIZONA REVISED STATUTES; AMENDING SECTION 42-5159, ARIZONA REVISED STATUTES; REPEALING SECTIONS 42-6009 AND 42-6013, ARIZONA REVISED STATUTES; AMENDING SECTIONS 42-6102, 42-6108, 42-6108.01, 42-12003 AND 42-12004, ARIZONA REVISED STATUTES; REPEALING LAWS 2016, CHAPTER 208, SECTIONS 15 AND 16; RELATING TO ONLINE LODGING.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Repeal

3 Sections 9-500.39, 11-269.17 and 42-1125.02, Arizona Revised
4 Statutes, are repealed.

5 Sec. 2. Section 42-2003, Arizona Revised Statutes, is amended to
6 read:

7 42-2003. Authorized disclosure of confidential information

8 A. Confidential information relating to:

9 1. A taxpayer may be disclosed to the taxpayer, its successor in
10 interest or a designee of the taxpayer who is authorized in writing by the
11 taxpayer. A principal corporate officer of a parent corporation may
12 execute a written authorization for a controlled subsidiary.

13 2. A corporate taxpayer may be disclosed to any principal officer,
14 any person designated by a principal officer or any person designated in a
15 resolution by the corporate board of directors or other similar governing
16 body. If a corporate officer signs a statement under penalty of perjury
17 representing that the officer is a principal officer, the department may
18 rely on the statement until the statement is shown to be false. For the
19 purposes of this paragraph, "principal officer" includes a chief executive
20 officer, president, secretary, treasurer, vice president of tax, chief
21 financial officer, chief operating officer or chief tax officer or any
22 other corporate officer who has the authority to bind the taxpayer on
23 matters related to state taxes.

24 3. A partnership may be disclosed to any partner of the
25 partnership. This exception does not include disclosure of confidential
26 information of a particular partner unless otherwise authorized.

27 4. A limited liability company may be disclosed to any member of
28 the company or, if the company is manager-managed, to any manager.

29 5. An estate may be disclosed to the personal representative of the
30 estate and to any heir, next of kin or beneficiary under the will of the
31 decedent if the department finds that the heir, next of kin or beneficiary
32 has a material interest that will be affected by the confidential
33 information.

34 6. A trust may be disclosed to the trustee or trustees, jointly or
35 separately, and to the grantor or any beneficiary of the trust if the
36 department finds that the grantor or beneficiary has a material interest
37 that will be affected by the confidential information.

38 7. A government entity may be disclosed to the head of the entity
39 or a member of the governing board of the entity, or any employee of the
40 entity who has been delegated the authorization in writing by the head of
41 the entity or the governing board of the entity.

42 8. Any taxpayer may be disclosed if the taxpayer has waived any
43 rights to confidentiality either in writing or on the record in any
44 administrative or judicial proceeding.

1 9. The name and taxpayer identification numbers of persons issued
2 direct payment permits may be publicly disclosed.

3 10. Any taxpayer may be disclosed during a meeting or telephone
4 call if the taxpayer is present during the meeting or telephone call and
5 authorizes the disclosure of confidential information.

6 B. Confidential information may be disclosed to:

7 1. Any employee of the department whose official duties involve tax
8 administration.

9 2. The office of the attorney general solely for its use in
10 preparation for, or in an investigation that may result in, any proceeding
11 involving tax administration before the department or any other agency or
12 board of this state, or before any grand jury or any state or federal
13 court.

14 3. The department of liquor licenses and control for its use in
15 determining whether a spirituous liquor licensee has paid all transaction
16 privilege taxes and affiliated excise taxes incurred as a result of the
17 sale of spirituous liquor, as defined in section 4-101, at the licensed
18 establishment and imposed on the licensed establishments by this state and
19 its political subdivisions.

20 4. Other state tax officials whose official duties require the
21 disclosure for proper tax administration purposes if the information is
22 sought in connection with an investigation or any other proceeding
23 conducted by the official. Any disclosure is limited to information of a
24 taxpayer who is being investigated or who is a party to a proceeding
25 conducted by the official.

26 5. The following agencies, officials and organizations, if they
27 grant substantially similar privileges to the department for the type of
28 information being sought, pursuant to statute and a written agreement
29 between the department and the foreign country, agency, state, Indian
30 tribe or organization:

31 (a) The United States internal revenue service, alcohol and tobacco
32 tax and trade bureau of the United States treasury, United States bureau
33 of alcohol, tobacco, firearms and explosives of the United States
34 department of justice, United States drug enforcement agency and federal
35 bureau of investigation.

36 (b) A state tax official of another state.

37 (c) An organization of states, federation of tax administrators or
38 multistate tax commission that operates an information exchange for tax
39 administration purposes.

40 (d) An agency, official or organization of a foreign country with
41 responsibilities that are comparable to those listed in subdivision (a),
42 (b) or (c) of this paragraph.

43 (e) An agency, official or organization of an Indian tribal
44 government with responsibilities comparable to the responsibilities of the

1 agencies, officials or organizations identified in subdivision (a), (b) or
2 (c) of this paragraph.

3 6. The auditor general, in connection with any audit of the
4 department subject to the restrictions in section 42-2002, subsection D.

5 7. Any person to the extent necessary for effective tax
6 administration in connection with:

7 (a) The processing, storage, transmission, destruction and
8 reproduction of the information.

9 (b) The programming, maintenance, repair, testing and procurement
10 of equipment for purposes of tax administration.

11 (c) The collection of the taxpayer's civil liability.

12 8. The office of administrative hearings relating to taxes
13 administered by the department pursuant to section 42-1101, but the
14 department shall not disclose any confidential information without the
15 taxpayer's written consent:

16 (a) Regarding income tax or withholding tax.

17 (b) On any tax issue relating to information associated with the
18 reporting of income tax or withholding tax.

19 9. The United States treasury inspector general for tax
20 administration for the purpose of reporting a violation of internal
21 revenue code section 7213A (26 United States Code section 7213A),
22 unauthorized inspection of returns or return information.

23 10. The financial management service of the United States treasury
24 department for use in the treasury offset program.

25 11. The United States treasury department or its authorized agent
26 for use in the state income tax levy program and in the electronic federal
27 tax payment system.

28 12. The Arizona commerce authority for its use in:

29 (a) Qualifying renewable energy operations for the tax incentives
30 under section 42-12006.

31 (b) Qualifying businesses with a qualified facility for income tax
32 credits under sections 43-1083.03 and 43-1164.04.

33 (c) Fulfilling its annual reporting responsibility pursuant to
34 section 41-1511, subsections U and V and section 41-1512, subsections U
35 and V.

36 (d) Certifying computer data centers for tax relief under section
37 41-1519.

38 13. A prosecutor for purposes of section 32-1164, subsection C.

39 14. The office of the state fire marshal for use in determining
40 compliance with and enforcing title 37, chapter 9, article 5.

41 15. The department of transportation for its use in administering
42 taxes, surcharges and penalties prescribed by title 28.

43 16. The Arizona health care cost containment system administration
44 for its use in administering nursing facility provider assessments.

1 17. The department of administration risk management division and
2 the office of the attorney general if the information relates to a claim
3 against this state pursuant to section 12-821.01 involving the department
4 of revenue.

5 18. Another state agency if the taxpayer authorizes the disclosure
6 of confidential information in writing, including an authorization that is
7 part of an application form or other document submitted to the agency.

8 19. The department of economic security for its use in determining
9 whether an employer has paid all amounts due under the unemployment
10 insurance program pursuant to title 23, chapter 4.

11 20. The department of health services for its use in determining
12 the following:

13 (a) Whether a medical marijuana dispensary is in compliance with
14 the tax requirements of chapter 5 of this title for the purposes of
15 section 36-2806, subsection A.

16 (b) Whether a marijuana establishment, marijuana testing facility
17 or dual licensee licensed under title 36, chapter 28.2 is in compliance
18 with the tax obligations under this title or title 43.

19 C. Confidential information may be disclosed in any state or
20 federal judicial or administrative proceeding pertaining to tax
21 administration pursuant to the following conditions:

22 1. One or more of the following circumstances must apply:

23 (a) The taxpayer is a party to the proceeding.

24 (b) The proceeding arose out of, or in connection with, determining
25 the taxpayer's civil or criminal liability, or the collection of the
26 taxpayer's civil liability, with respect to any tax imposed under this
27 title or title 43.

28 (c) The treatment of an item reflected on the taxpayer's return is
29 directly related to the resolution of an issue in the proceeding.

30 (d) Return information directly relates to a transactional
31 relationship between a person who is a party to the proceeding and the
32 taxpayer and directly affects the resolution of an issue in the
33 proceeding.

34 2. Confidential information may not be disclosed under this
35 subsection if the disclosure is prohibited by section 42-2002, subsection
36 C or D.

37 D. Identity information may be disclosed for purposes of notifying
38 persons entitled to tax refunds if the department is unable to locate the
39 persons after reasonable effort.

40 E. The department, on the request of any person, shall provide the
41 names and addresses of bingo licensees as defined in section 5-401, verify
42 whether or not a person has a privilege license and number, a tobacco
43 product distributor's license and number or a withholding license and
44 number or disclose the information to be posted on the department's

1 website or otherwise publicly accessible pursuant to section 42-1124,
2 subsection F and section 42-3401.

3 F. A department employee, in connection with the official duties
4 relating to any audit, collection activity or civil or criminal
5 investigation, may disclose return information to the extent that
6 disclosure is necessary to obtain information that is not otherwise
7 reasonably available. These official duties include the correct
8 determination of and liability for tax, the amount to be collected or the
9 enforcement of other state tax revenue laws.

10 G. Confidential information relating to transaction privilege tax,
11 use tax, severance tax, jet fuel excise and use tax and any other tax
12 collected by the department on behalf of any jurisdiction may be disclosed
13 to any county, city or town tax official if the information relates to a
14 taxpayer who is or may be taxable by a county, city or town or who may be
15 subject to audit by the department pursuant to section 42-6002. Any
16 taxpayer information that is released by the department to the county,
17 city or town:

18 1. May be used only for internal purposes, including audits. ~~if~~
19 ~~there is a legitimate business need relating to enforcing laws,~~
20 ~~regulations and ordinances pursuant to section 9-500.39 or 11-269.17, a~~
21 ~~county, city or town tax official may redisclose transaction privilege tax~~
22 ~~information relating to a vacation rental or short-term rental property~~
23 ~~owner or online lodging operator from the new license report and license~~
24 ~~update report, subject to the following:~~

25 ~~(a) The information redisclosed is limited to the following:~~

26 ~~(i) The transaction privilege tax license number.~~

27 ~~(ii) The type of organization or ownership of the business.~~

28 ~~(iii) The legal business name and doing business as name, if~~
29 ~~different from the legal name.~~

30 ~~(iv) The business mailing address, tax record physical location~~
31 ~~address, telephone number, email address and fax number.~~

32 ~~(v) The date the business started in this state, the business~~
33 ~~description and the North American industry classification system code.~~

34 ~~(vi) The name, address and telephone number for each owner,~~
35 ~~partner, corporate officer, member, managing member or official of the~~
36 ~~employing unit.~~

37 ~~(b) Redisclosure is limited to nonelected officials in other units~~
38 ~~within the county, city or town. The information may not be redisclosed~~
39 ~~to an elected official or the elected official's staff.~~

40 ~~(c) All redisclosures of confidential information made pursuant to~~
41 ~~this paragraph are subject to paragraph 2 of this subsection.~~

42 2. May not be disclosed to the public in any manner that does not
43 comply with confidentiality standards established by the department. The
44 county, city or town shall agree in writing with the department that any
45 release of confidential information that violates the confidentiality

1 standards adopted by the department will result in the immediate
2 suspension of any rights of the county, city or town to receive taxpayer
3 information under this subsection.

4 H. The department may disclose statistical information gathered
5 from confidential information if it does not disclose confidential
6 information attributable to any one taxpayer. The department may disclose
7 statistical information gathered from confidential information, even if it
8 discloses confidential information attributable to a taxpayer, to:

9 1. The state treasurer in order to comply with the requirements of
10 section 42-5029, subsection A, paragraph 3.

11 2. The joint legislative income tax credit review committee, the
12 joint legislative budget committee staff and the legislative staff in
13 order to comply with the requirements of section 43-221.

14 I. The department may disclose the aggregate amounts of any tax
15 credit, tax deduction or tax exemption enacted after January 1, 1994.
16 Information subject to disclosure under this subsection shall not be
17 disclosed if a taxpayer demonstrates to the department that such
18 information would give an unfair advantage to competitors.

19 J. Except as provided in section 42-2002, subsection C,
20 confidential information, described in section 42-2001, paragraph 1,
21 subdivision (a), item (ii), may be disclosed to law enforcement agencies
22 for law enforcement purposes.

23 K. The department may provide transaction privilege tax license
24 information to property tax officials in a county for the purpose of
25 identification and verification of the tax status of commercial property.

26 L. The department may provide transaction privilege tax, luxury
27 tax, use tax, property tax and severance tax information to the
28 ombudsman-citizens aide pursuant to title 41, chapter 8, article 5.

29 M. Except as provided in section 42-2002, subsection D, a court may
30 order the department to disclose confidential information pertaining to a
31 party to an action. An order shall be made only on a showing of good
32 cause and that the party seeking the information has made demand on the
33 taxpayer for the information.

34 N. This section does not prohibit the disclosure by the department
35 of any information or documents submitted to the department by a bingo
36 licensee. Before disclosing the information, the department shall obtain
37 the name and address of the person requesting the information.

38 O. If the department is required or permitted to disclose
39 confidential information, it may charge the person or agency requesting
40 the information for the reasonable cost of its services.

41 P. Except as provided in section 42-2002, subsection D, the
42 department of revenue shall release confidential information as requested
43 by the department of economic security pursuant to section 42-1122 or
44 46-291. Information disclosed under this subsection is limited to the
45 same type of information that the United States internal revenue service

1 is authorized to disclose under section 6103(1)(6) of the internal revenue
2 code.

3 Q. Except as provided in section 42-2002, subsection D, the
4 department shall release confidential information as requested by the
5 courts and clerks of the court pursuant to section 42-1122.

6 R. To comply with the requirements of section 42-5031, the
7 department may disclose to the state treasurer, to the county stadium
8 district board of directors and to any city or town tax official that is
9 part of the county stadium district confidential information attributable
10 to a taxpayer's business activity conducted in the county stadium
11 district.

12 S. The department shall release to the attorney general
13 confidential information as requested by the attorney general for purposes
14 of determining compliance with or enforcing any of the following:

15 1. Any public health control law relating to tobacco sales as
16 provided under title 36, chapter 6, article 14.

17 2. Any law relating to reduced cigarette ignition propensity
18 standards as provided under title 37, chapter 9, article 5.

19 3. Sections 44-7101 and 44-7111, the master settlement agreement
20 referred to in those sections and all agreements regarding disputes under
21 the master settlement agreement.

22 T. For proceedings before the department, the office of
23 administrative hearings, the state board of tax appeals or any state or
24 federal court involving penalties that were assessed against a return
25 preparer, an electronic return preparer or a payroll service company
26 pursuant to section 42-1103.02, 42-1125.01 or 43-419, confidential
27 information may be disclosed only before the judge or administrative law
28 judge adjudicating the proceeding, the parties to the proceeding and the
29 parties' representatives in the proceeding prior to its introduction into
30 evidence in the proceeding. The confidential information may be
31 introduced as evidence in the proceeding only if the taxpayer's name, the
32 names of any dependents listed on the return, all social security numbers,
33 the taxpayer's address, the taxpayer's signature and any attachments
34 containing any of the foregoing information are redacted and if either:

35 1. The treatment of an item reflected on such a return is or may be
36 related to the resolution of an issue in the proceeding.

37 2. Such a return or the return information relates or may relate to
38 a transactional relationship between a person who is a party to the
39 proceeding and the taxpayer that directly affects the resolution of an
40 issue in the proceeding.

41 3. The method of payment of the taxpayer's withholding tax
42 liability or the method of filing the taxpayer's withholding tax return is
43 an issue for the period.

1 U. The department and attorney general may share the information
2 specified in subsection S of this section with any of the following:

3 1. Federal, state or local agencies located in this state for the
4 purposes of enforcement of the statutes or agreements specified in
5 subsection S of this section or for the purposes of enforcement of
6 corresponding laws of other states.

7 2. Indian tribes located in this state for the purposes of
8 enforcement of the statutes or agreements specified in subsection S of
9 this section.

10 3. A court, arbitrator, data clearinghouse or similar entity for
11 the purpose of assessing compliance with or making calculations required
12 by the master settlement agreement or agreements regarding disputes under
13 the master settlement agreement, and with counsel for the parties or
14 expert witnesses in any such proceeding, if the information otherwise
15 remains confidential.

16 V. The department may provide the name and address of qualifying
17 hospitals and qualifying health care organizations, as defined in section
18 42-5001, to a business that is classified and reporting transaction
19 privilege tax under the utilities classification.

20 W. The department may disclose to an official of any city, town or
21 county in a current agreement or considering a prospective agreement with
22 the department as described in section 42-5032.02, subsection G any
23 information relating to amounts that are subject to distribution and that
24 are required by section 42-5032.02. Information disclosed by the
25 department under this subsection:

26 1. May only be used by the city, town or county for internal
27 purposes.

28 2. May not be disclosed to the public in any manner that does not
29 comply with confidentiality standards established by the department. The
30 city, town or county must agree with the department in writing that any
31 release of confidential information that violates the confidentiality
32 standards will result in the immediate suspension of any rights of the
33 city, town or county to receive information under this subsection.

34 ~~X. Notwithstanding any other provision of this section, the~~
35 ~~department may not disclose information provided by an online lodging~~
36 ~~marketplace, as defined in section 42-5076, without the written consent of~~
37 ~~the online lodging marketplace, and the information may be disclosed only~~
38 ~~pursuant to subsection A, paragraphs 1 through 6, 8 and 10, subsection B,~~
39 ~~paragraphs 1, 2, 7 and 8 and subsections C, D and G of this section. Such~~
40 ~~information:~~

41 ~~1. Is not subject to disclosure pursuant to title 39, relating to~~
42 ~~public records.~~

43 ~~2. May not be disclosed to any agency of this state or of any~~
44 ~~county, city, town or other political subdivision of this state.~~

1 Sec. 3. Section 42-5005, Arizona Revised Statutes, is amended to
2 read:

3 42-5005. Transaction privilege tax and municipal privilege
4 tax licenses; fees; renewal; revocation;
5 violation; classification

6 A. Every person who receives gross proceeds of sales or gross
7 income on which a transaction privilege tax is imposed by this article and
8 who desires to engage or continue in business shall apply to the
9 department for an annual transaction privilege tax license accompanied by
10 a fee of \$12. A person shall not engage or continue in business until the
11 person has obtained a transaction privilege tax license.

12 B. A person desiring to engage or continue in business within a
13 city or town that imposes a municipal privilege tax shall apply to the
14 department of revenue for an annual municipal privilege tax license
15 accompanied by a fee of up to \$50, as established by ordinance of the city
16 or town. The person shall submit the fee with each new license
17 application. The person may not engage or continue in business until the
18 person has obtained a municipal privilege tax license. The department
19 must collect, hold, pay and manage the fees in trust for the city or town
20 and may not use the monies for any other purposes. The fee imposed by
21 this subsection does not apply to a marketplace facilitator or remote
22 seller that is only required to obtain a transaction privilege tax license
23 pursuant to section 42-5043.

24 C. A transaction privilege tax license is valid only for the
25 calendar year in which it is issued, but it may be renewed for the
26 following calendar year. There is no fee for the renewal of the
27 transaction privilege tax license. The transaction privilege tax license
28 must be renewed at the same time and in the manner as the municipal
29 privilege tax license renewal.

30 D. A municipal privilege tax license is valid only for the calendar
31 year in which it is issued, but it may be renewed for the following
32 calendar year by the payment of a license renewal fee of up to \$50. The
33 renewal fee is due and payable on January 1 and is considered delinquent
34 if not received on or before the last business day of January. The
35 department must collect, hold, pay and manage the fees in trust for the
36 city or town and may not use the monies for any other purposes. The
37 renewal fee imposed by this subsection does not apply to a marketplace
38 facilitator or remote seller that is only required to obtain a transaction
39 privilege tax license pursuant to section 42-5043.

40 E. A licensee that remains in business after the municipal
41 privilege tax license has expired is subject to the payment of the license
42 renewal fee and the civil penalty prescribed in section 42-1125,
43 subsection R.

1 F. If the applicant is not in arrears in payment of any tax imposed
2 by this article, the department shall issue a license authorizing the
3 applicant to engage and continue in business on the condition that the
4 applicant complies with this article. The license number shall be
5 continuous.

6 G. The transaction privilege tax license and the municipal
7 privilege tax license are not transferable on a complete change of
8 ownership or change of location of the business. For the purposes of this
9 subsection:

10 1. "Location" means the business address appearing in the
11 application for the license and on the transaction privilege tax or
12 municipal privilege tax license.

13 2. "Ownership" means any right, title or interest in the business.

14 3. "Transferable" means the ability to convey or change the right
15 or privilege to engage or continue in business by virtue of the issuance
16 of the transaction privilege tax or municipal privilege tax license.

17 H. When the ownership or location of a business on which a
18 transaction privilege tax or municipal privilege tax is imposed has been
19 changed within the meaning of subsection G of this section, the licensee
20 shall surrender the license to the department. The license shall be
21 reissued to the new owners or for the new location on application by the
22 taxpayer and payment of the \$12 fee for a transaction privilege tax
23 license and a fee of up to \$50 per jurisdiction for a municipal privilege
24 tax license. The department must collect, hold, pay and manage the fees
25 in trust for the city or town and may not use the monies for any other
26 purposes.

27 I. A person who is engaged in or conducting a business in two or
28 more locations or under two or more business names shall procure a
29 transaction privilege tax license for each location or business name
30 regardless of whether all locations or business names are reported on a
31 consolidated return under a single transaction privilege tax license
32 number. This requirement shall not be construed as conflicting with
33 section 42-5020.

34 J. A person who is engaged in or conducting a business in two or
35 more locations or under two or more business names shall procure a
36 municipal privilege tax license for each location or business name
37 regardless of whether all locations or business names are reported on a
38 consolidated return.

39 K. A person who is engaged in or conducting business at two or more
40 locations or under two or more business names and who files a consolidated
41 return under a single transaction privilege tax license number as provided
42 by section 42-5020 is required to pay only a single municipal privilege
43 tax license renewal fee for each local jurisdiction pursuant to subsection
44 D of this section. A person who is engaged in or conducting business at
45 two or more locations or under two or more business names and who does not

1 file a consolidated return under a single license number is required to
2 pay a license renewal fee for each location or license in a local
3 jurisdiction.

4 ~~L. For the purposes of this chapter and chapter 6 of this title:~~

5 ~~1. Through December 31, 2018, an online lodging marketplace, as~~
6 ~~defined in section 42-5076, may register with the department for a license~~
7 ~~for the payment of taxes levied by this state and one or more counties,~~
8 ~~cities, towns or special taxing districts, at the election of the online~~
9 ~~lodging marketplace, for taxes due from an online lodging operator on any~~
10 ~~online lodging transaction facilitated by the online lodging marketplace,~~
11 ~~subject to sections 42-5076 and 42-6009.~~

12 ~~2. Beginning from and after December 31, 2018, an online lodging~~
13 ~~marketplace, as defined in section 42-5076, shall register with the~~
14 ~~department for a license for the payment of taxes levied by this state and~~
15 ~~one or more counties, cities, towns or special taxing districts for taxes~~
16 ~~due from an online lodging operator on any online lodging transaction~~
17 ~~facilitated by the online lodging marketplace, subject to sections 42-5076~~
18 ~~and 42-6009.~~

19 ~~M. For the purposes of this chapter and chapter 6 of this title, a~~
20 ~~person who is licensed pursuant to title 32, chapter 20 and who files an~~
21 ~~electronic consolidated tax return for individual real properties under~~
22 ~~management on behalf of the property owners may be licensed with the~~
23 ~~department for the payment of taxes levied by this state and by any~~
24 ~~county, city or town with respect to those properties. There is no fee~~
25 ~~for a license issued pursuant to this subsection.~~

26 ~~N.~~ L. For the purposes of this chapter, a peer-to-peer car sharing
27 program shall register with the department for a license for the payment
28 of taxes levied by this state and one or more counties, cities, towns or
29 special districts for taxes due from a shared vehicle owner on any shared
30 vehicle transaction facilitated by the peer-to-peer car sharing program,
31 subject to the limitations in section 28-9616. A peer-to-peer car sharing
32 program shall remit the surcharges established pursuant to sections 5-839
33 and 48-4234 only if the peer-to-peer car sharing program allows shared
34 vehicle transactions that involve a vehicle for which the shared vehicle
35 owner has not certified to the department pursuant to section 28-9616,
36 subsection C that it is an individual-owned shared vehicle. For the
37 purposes of this subsection, "individual-owned shared vehicle",
38 "peer-to-peer car sharing program", "shared vehicle owner" and "shared
39 vehicle transaction" have the same meanings prescribed in section 28-9601.

40 ~~O.~~ M. If a person violates this article or any rule adopted under
41 this article, the department upon hearing may revoke any transaction
42 privilege tax or municipal privilege tax license issued to the person.
43 The department shall provide ten days' written notice of the hearing,
44 stating the time and place and requiring the person to appear and show
45 cause why the license or licenses should not be revoked. The department

1 shall provide written notice to the person of the revocation of the
2 license. The notices may be served personally or by mail pursuant to
3 section 42-5037. After revocation, the department shall not issue a new
4 license to the person unless the person presents evidence satisfactory to
5 the department that the person will comply with this article and with the
6 rules adopted under this article. The department may prescribe the terms
7 under which a revoked license may be reissued.

8 ~~P.~~ N. The department may revoke any transaction privilege tax or
9 municipal privilege tax license issued to any person who fails for
10 thirteen consecutive months to make and file a return required by this
11 article on or before the due date or the due date as extended by the
12 department unless the failure is due to a reasonable cause and not due to
13 wilful neglect.

14 ~~O.~~ O. A person who violates any provision of this section is
15 guilty of a class 3 misdemeanor.

16 Sec. 4. Section 42-5009, Arizona Revised Statutes, is amended to
17 read:

18 42-5009. Certificates establishing deductions; liability for
19 making false certificate; tax exclusion;
20 definitions

21 A. A person who conducts any business classified under article 2 of
22 this chapter may establish entitlement to the allowable deductions from
23 the tax base of that business by both:

24 1. Marking the invoice for the transaction to indicate that the
25 gross proceeds of sales or gross income derived from the transaction was
26 deducted from the tax base.

27 2. Obtaining a certificate executed by the purchaser indicating the
28 name and address of the purchaser, the precise nature of the business of
29 the purchaser, the purpose for which the purchase was made, the necessary
30 facts to establish the appropriate deduction and the tax license number of
31 the purchaser to the extent the deduction depends on the purchaser
32 conducting business classified under article 2 of this chapter and a
33 certification that the person executing the certificate is authorized to
34 do so on behalf of the purchaser. The certificate may be disregarded if
35 the seller has reason to believe that the information contained in the
36 certificate is not accurate or complete.

37 B. A person who does not comply with subsection A of this section
38 may establish entitlement to the deduction by presenting facts necessary
39 to support the entitlement, but the burden of proof is on that person.

40 C. The department may prescribe a form for the certificate
41 described in subsection A of this section. Under such rules as it may
42 prescribe, the department may also describe transactions with respect to
43 which a person is not entitled to rely solely on the information contained
44 in the certificate provided for in subsection A of this section but must

1 instead obtain such additional information as required by the rules in
 2 order to be entitled to the deduction.

3 D. If a seller is entitled to a deduction by complying with
 4 subsection A of this section, the department may require the purchaser
 5 that caused the execution of the certificate to establish the accuracy and
 6 completeness of the information required to be contained in the
 7 certificate that would entitle the seller to the deduction. If the
 8 purchaser cannot establish the accuracy and completeness of the
 9 information, the purchaser is liable in an amount equal to any tax,
 10 penalty and interest that the seller would have been required to pay under
 11 this article if the seller had not complied with subsection A of this
 12 section. Payment of the amount under this subsection exempts the
 13 purchaser from liability for any tax imposed under article 4 of this
 14 chapter. The amount shall be treated as tax revenues collected from the
 15 seller in order to designate the distribution base for purposes of section
 16 42-5029.

17 E. If a seller is entitled to a deduction by complying with
 18 subsection B of this section, the department may require the purchaser to
 19 establish the accuracy and completeness of the information provided to the
 20 seller that entitled the seller to the deduction. If the purchaser cannot
 21 establish the accuracy and completeness of the information, the purchaser
 22 is liable in an amount equal to any tax, penalty and interest that the
 23 seller would have been required to pay under this article if the seller
 24 had not complied with subsection B of this section. Payment of the amount
 25 under this subsection exempts the purchaser from liability for any tax
 26 imposed under article 4 of this chapter. The amount shall be treated as
 27 tax revenues collected from the seller in order to designate the
 28 distribution base for purposes of section 42-5029.

29 F. The department may prescribe a form for a certificate used to
 30 establish entitlement to the deductions described in section 42-5061,
 31 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3.
 32 Under rules the department may prescribe, the department may also require
 33 additional information for the seller to be entitled to the deduction. If
 34 a seller is entitled to the deductions described in section 42-5061,
 35 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3,
 36 the department may require the purchaser who executed the certificate to
 37 establish the accuracy and completeness of the information contained in
 38 the certificate that would entitle the seller to the deduction. If the
 39 purchaser cannot establish the accuracy and completeness of the
 40 information, the purchaser is liable in an amount equal to any tax,
 41 penalty and interest that the seller would have been required to pay under
 42 this article. Payment of the amount under this subsection exempts the
 43 purchaser from liability for any tax imposed under article 4 of this
 44 chapter. The amount shall be treated as tax revenues collected from the

1 seller in order to designate the distribution base for purposes of section
2 42-5029.

3 G. If a seller claims a deduction under section 42-5061,
4 subsection A, paragraph 25 and establishes entitlement to the deduction
5 with an exemption letter that the purchaser received from the department
6 and the exemption letter was based on a contingent event, the department
7 may require the purchaser that received the exemption letter to establish
8 the satisfaction of the contingent event within a reasonable time. If the
9 purchaser cannot establish the satisfaction of the event, the purchaser is
10 liable in an amount equal to any tax, penalty and interest that the seller
11 would have been required to pay under this article if the seller had not
12 been furnished the exemption letter. Payment of the amount under this
13 subsection exempts the purchaser from liability for any tax imposed under
14 article 4 of this chapter. The amount shall be treated as tax revenues
15 collected from the seller in order to designate the distribution base for
16 purposes of section 42-5029. For the purposes of this subsection,
17 "reasonable time" means a time limitation that the department determines
18 and that does not exceed the time limitations pursuant to section 42-1104.

19 H. The department shall prescribe forms for certificates used to
20 establish the satisfaction of the criteria necessary to qualify the sale
21 of a motor vehicle for the deductions described in section 42-5061,
22 subsection A, paragraph 14, paragraph 28, subdivision (a) and paragraph 44
23 and subsection U. Except as provided in subsection J of this section, to
24 establish entitlement to these deductions, a motor vehicle dealer shall
25 retain:

26 1. A valid certificate as prescribed by this subsection completed
27 by the purchaser and obtained before the issuance of the nonresident
28 registration permit authorized by section 28-2154.

29 2. A copy of the nonresident registration permit authorized by
30 section 28-2154.

31 3. A legible copy of a current valid driver license issued to the
32 purchaser by another state or foreign country that indicates an address
33 outside of this state. For the sale of a motor vehicle to a nonresident
34 entity, the entity's representative must have a current valid driver
35 license issued by the same jurisdiction as that in which the entity is
36 located.

37 4. For the purposes of the deduction provided by section 42-5061,
38 subsection A, paragraph 14, a certificate documenting the delivery of the
39 motor vehicle to an out-of-state location.

40 I. Notwithstanding subsection A, paragraph 2 of this section, if a
41 motor vehicle dealer has established entitlement to a deduction by
42 complying with subsection H of this section, the department may require
43 the purchaser who executed the certificate to establish the accuracy and
44 completeness of the information contained in the certificate that entitled
45 the motor vehicle dealer to the deduction. If the purchaser cannot

1 establish the accuracy and completeness of the information, the purchaser
 2 is liable in an amount equal to any tax, penalty and interest that the
 3 motor vehicle dealer would have been required to pay under this article
 4 and under articles IV and V of the model city tax code as defined in
 5 section 42-6051. Payment of the amount under this subsection exempts the
 6 purchaser from liability for any tax imposed under article 4 of this
 7 chapter and any tax imposed under article VI of the model city tax code as
 8 defined in section 42-6051. The amount shall be treated as tax revenues
 9 collected from the motor vehicle dealer in order to designate the
 10 distribution base for purposes of section 42-5029.

11 J. To establish entitlement to the deduction described in section
 12 42-5061, subsection A, paragraph 44, a public consignment auction dealer
 13 as defined in section 28-4301 shall submit the valid certificate
 14 prescribed by subsection H of this section to the department and retain a
 15 copy for its records.

16 K. Notwithstanding any other law, compliance with subsection H of
 17 this section by a motor vehicle dealer entitles the motor vehicle dealer
 18 to the exemption provided in section 42-6004, subsection A, paragraph 4.

19 L. The department shall prescribe a form for a certificate to be
 20 used by a person that is not subject to tax under section 42-5075 when the
 21 person is engaged by a contractor that is subject to tax under section
 22 42-5075 for a project that is taxable under section 42-5075. The
 23 certificate permits the person purchasing tangible personal property to be
 24 incorporated or fabricated by the person into any real property,
 25 structure, project, development or improvement to provide documentation to
 26 a retailer that the sale of tangible personal property qualifies for the
 27 deduction under section 42-5061, subsection A, paragraph 27,
 28 subdivision (b). A prime contractor shall obtain the certificate from the
 29 department and shall provide a copy to any such person working on the
 30 project. The prime contractor shall obtain a new certificate for each
 31 project to which this subsection applies. For the purposes of this
 32 subsection, the following apply:

33 1. The person that is not subject to tax under section 42-5075 may
 34 use the certificate issued pursuant to this subsection only with respect
 35 to tangible personal property that will be incorporated into a project for
 36 which the gross receipts are subject to tax under section 42-5075.

37 2. The department shall issue the certificate to the prime
 38 contractor on receiving sufficient documentation to establish that the
 39 prime contractor meets the requirements of this subsection.

40 3. If any person uses the certificate provided under this
 41 subsection to purchase tangible personal property to be used in a project
 42 that is not subject to tax under section 42-5075, the person is liable in
 43 an amount equal to any tax, penalty and interest that the seller would
 44 have been required to pay under this article if the seller had not
 45 complied with subsection A of this section. Payment of the amount under

1 this section exempts the person from liability for any tax imposed under
2 article 4 of this chapter. The amount shall be sourced under section
3 42-5040, subsection A, paragraph 2.

4 M. Notwithstanding any other law, compliance with subsection L of
5 this section by a person that is not subject to tax under section 42-5075
6 entitles the person to the exemption allowed by section 465,
7 subsection (k) of the model city tax code when purchasing tangible
8 personal property to be incorporated or fabricated by the person into any
9 real property, structure, project, development or improvement.

10 N. The requirements of subsections A and B of this section do not
11 apply to owners, proprietors or tenants of agricultural lands or farms who
12 sell livestock or poultry feed that is grown or raised on their lands to
13 any of the following:

14 1. Persons who feed their own livestock or poultry.

15 2. Persons who are engaged in the business of producing livestock
16 or poultry commercially.

17 3. Persons who are engaged in the business of feeding livestock or
18 poultry commercially or who board livestock noncommercially.

19 O. A vendor who has reason to believe that a certificate prescribed
20 by this section is not accurate or complete will not be relieved of the
21 burden of proving entitlement to the exemption. A vendor that accepts a
22 certificate in good faith will be relieved of the burden of proof and the
23 purchaser may be required to establish the accuracy of the claimed
24 exemption. If the purchaser cannot establish the accuracy and
25 completeness of the information provided in the certificate, the purchaser
26 is liable for an amount equal to the transaction privilege tax, penalty
27 and interest that the vendor would have been required to pay if the vendor
28 had not accepted the certificate.

~~29 P. Notwithstanding any other law, an online lodging operator, as
30 defined in section 42-5076, shall be entitled to an exclusion from any
31 applicable taxes for any online lodging transaction, as defined in section
32 42-5076, facilitated by an online lodging marketplace, as defined in
33 section 42-5076, for which the online lodging operator has obtained from
34 the online lodging marketplace written notice that the online lodging
35 marketplace is registered with the department to collect applicable taxes
36 for all online lodging transactions facilitated by the online lodging
37 marketplace, and transaction history documenting tax collected by the
38 online lodging marketplace, pursuant to section 42-5005, subsection L.~~

39 ~~Q.~~ P. The department shall prescribe the form of a certificate to
40 be used by a person purchasing an aircraft to document eligibility for a
41 deduction pursuant to section 42-5061, subsection B, paragraph 8,
42 subdivision (a), item (v) or an exemption pursuant to section 42-5159,
43 subsection B, paragraph 8, subdivision (a), item (v), relating to
44 aircraft. The person must provide this certificate and documentation
45 confirming that the operational control of the aircraft has been

1 transferred or will be transferred immediately after the purchase to one
2 or more persons described in section 42-5061, subsection B, paragraph 8,
3 subdivision (a), item (i), (ii), (iii) or (iv) or section 42-5159,
4 subsection B, paragraph 8, subdivision (a), item (i), (ii), (iii) or (iv).
5 Operational control of the aircraft must be transferred for at least fifty
6 percent of the aircraft's flight hours. If such operational control is
7 not transferred for at least fifty percent of the aircraft's flight hours
8 during the recapture period, the owner of the aircraft is liable for an
9 amount equal to any tax that the seller or purchaser would have been
10 required to pay under this chapter at the time of the sale, plus penalty
11 and interest. The recapture period begins on the date that operational
12 control of the aircraft is first transferred and ends on the later of the
13 date the aircraft is fully depreciated for federal income tax purposes or
14 five years after operational control was first transferred. For the
15 purposes of this subsection, operational control of the aircraft must be
16 within the meaning of federal aviation administration operations
17 specification A008, or its successor, except that:

18 1. If it is determined that operational control has been
19 transferred for less than fifty percent but more than forty percent of the
20 aircraft's flight hours, the owner of the aircraft is liable for an amount
21 equal to any tax that the seller or purchaser would have been required to
22 pay under this chapter at the time of the sale, plus interest.

23 2. If the aircraft is sold during the recapture period, the seller
24 is not liable for the amount determined pursuant to this subsection unless
25 the operational control of the aircraft had not been transferred for at
26 least fifty percent of the aircraft's flight hours at the time of the
27 sale.

28 ~~R.~~ Q. Notwithstanding any other law, a shared vehicle owner is
29 entitled to an exclusion from any applicable taxes for a shared vehicle
30 transaction that is facilitated by a peer-to-peer car sharing program and
31 for which the peer-to-peer car sharing program has collected and remitted
32 applicable taxes.

33 ~~S.~~ R. For the purposes of this section, "peer-to-peer car sharing
34 program", "shared vehicle owner" and "shared vehicle transaction" have the
35 same meanings prescribed in section 28-9601.

36 Sec. 5. Section 42-5010, Arizona Revised Statutes, is amended to
37 read:

38 42-5010. Rates; distribution base

39 A. The tax imposed by this article is levied and shall be collected
40 at the following rates:

41 1. Five percent of the tax base as computed for the business of
42 every person engaging or continuing in this state in the following
43 business classifications described in article 2 of this chapter:

- 44 (a) Transporting classification.
- 45 (b) Utilities classification.

- 1 (c) Telecommunications classification.
- 2 (d) Pipeline classification.
- 3 (e) Private car line classification.
- 4 (f) Publication classification.
- 5 (g) Job printing classification.
- 6 (h) Prime contracting classification.
- 7 (i) Amusement classification.
- 8 (j) Restaurant classification.
- 9 (k) Personal property rental classification.
- 10 (l) Retail classification and amounts equal to retail transaction
- 11 privilege tax due pursuant to section 42-5008.01.
- 12 2. Five and one-half percent of the tax base as computed for the
- 13 business of every person engaging or continuing in this state in:~~—~~
- 14 ~~(a) the transient lodging classification described in section~~
- 15 ~~42-5070.~~
- 16 ~~(b) The online lodging marketplace classification described in~~
- 17 ~~section 42-5076 who has entered into an agreement with the department to~~
- 18 ~~register for, or has otherwise obtained from the department, a license to~~
- 19 ~~collect tax pursuant to section 42-5005, subsection L.~~
- 20 3. Three and one-eighth percent of the tax base as computed for the
- 21 business of every person engaging or continuing in this state in the
- 22 mining classification described in section 42-5072.
- 23 4. Zero percent of the tax base as computed for the business of
- 24 every person engaging or continuing in this state in the commercial lease
- 25 classification described in section 42-5069.
- 26 B. Except as provided by subsection J of this section, twenty
- 27 percent of the tax revenues collected at the rate prescribed by subsection
- 28 A, paragraph 1 of this section from persons on account of engaging in
- 29 business under the business classifications listed in subsection A,
- 30 paragraph 1, subdivisions (a) through (h) of this section is designated as
- 31 distribution base for THE purposes of section 42-5029.
- 32 C. Forty percent of the tax revenues collected at the rate
- 33 prescribed by subsection A, paragraph 1 of this section from persons on
- 34 account of engaging in business under the business classifications listed
- 35 in subsection A, paragraph 1, subdivisions (i) through (l) of this section
- 36 is designated as distribution base for purposes of section 42-5029.
- 37 D. Thirty-two percent of the tax revenues collected from persons on
- 38 account of engaging in business under the business classification listed
- 39 in subsection A, paragraph 3 of this section is designated as distribution
- 40 base for THE purposes of section 42-5029.
- 41 E. Fifty-three and one-third percent of the tax revenues collected
- 42 from persons on account of engaging in business under the business
- 43 classification listed in subsection A, paragraph 4 of this section is
- 44 designated as distribution base for THE purposes of section 42-5029.

1 F. Fifty percent of the tax revenues collected from persons on
2 account of engaging in business under the business classification listed
3 in subsection A, paragraph 2 of this section is designated as distribution
4 base for ~~THE~~ purposes of section 42-5029.

5 G. In addition to the rates prescribed by subsection A of this
6 section, if approved by the qualified electors voting at a statewide
7 general election, an additional rate increment is imposed and shall be
8 collected through June 30, 2021. The taxpayer shall pay taxes pursuant to
9 this subsection at the same time and in the same manner as under
10 subsection A of this section. The department shall separately account for
11 the revenues collected with respect to the rates imposed pursuant to this
12 subsection and the state treasurer shall distribute all of those revenues
13 in the manner prescribed by section 42-5029, subsection E. The rates
14 imposed pursuant to this subsection shall not be considered local revenues
15 for purposes of article IX, section 21, Constitution of Arizona. The
16 additional tax rate increment is levied at the rate of six-tenths of one
17 per cent of the tax base of every person engaging or continuing in this
18 state in a business classification listed in subsection A, paragraph 1 of
19 this section.

20 H. Any increase in the rate of tax that is imposed by this chapter
21 and that is enacted by the legislature or by a vote of the people does not
22 apply with respect to contracts entered into by prime contractors or
23 pursuant to written bids made by prime contractors on or before the
24 effective date of the legislation or the date of the election enacting the
25 increase. To qualify for the exemption under this subsection, the prime
26 contractor must maintain sufficient documentation, in a manner and form
27 prescribed by the department, to verify the date of the contract or
28 written bid.

29 I. For taxpayers ~~THAT ARE~~ taxable under this chapter other than
30 prime contractors taxable pursuant to section 42-5075:

31 1. Any increase in the rate of tax that is levied by this article
32 or article 2 of this chapter enacted by the legislature or by a vote of
33 the people does not apply for a period of one hundred twenty days ~~from~~
34 ~~AFTER~~ the date of the tax rate increase to the gross proceeds of sales or
35 gross income from the business of the taxpayer with respect to written
36 contracts entered into before the effective date of the tax rate increase
37 unless the taxpayer has entered into a contract that contains a provision
38 that entitles the taxpayer to recover from the purchaser the amount of the
39 additional tax levied.

40 2. The provisions of this subsection apply without regard to the
41 accounting method used by the taxpayer to report the taxes imposed under
42 article 2 of this chapter.

43 3. The provisions of this subsection shall not be considered in
44 determining the rate of tax imposed under chapter 6, article 3 of this
45 title.

1 J. Zero percent of the tax revenues that are collected at the rate
2 prescribed by subsection A, paragraph 1 of this section from persons on
3 account of engaging in business under the business classification listed
4 in subsection A, paragraph 1, subdivision (h) of this section, ~~and that~~
5 are subject to any distribution required by section 42-5032.02, ~~is~~
6 designated as distribution base for the purposes of section 42-5029 until
7 the total amount subject to distribution pursuant to section 42-5032.02
8 has reached the maximum amount prescribed by section 42-5032.02,
9 subsection C. Thereafter, twenty percent of the remaining tax revenues is
10 designated as distribution base for the purposes of section 42-5029 as
11 provided by subsection B of this section.

12 Sec. 6. Section 42-5014, Arizona Revised Statutes, is amended to
13 read:

14 42-5014. Return and payment of tax; estimated tax;
15 extensions; abatements; definitions

16 A. Except as provided in subsection B, C, ~~OR D, E or F~~ of this
17 section, the taxes levied under this article:

18 1. Are due and payable monthly in the form required by section
19 42-5018 for the amount of the tax, to the department, on or before the
20 twentieth day of the month next succeeding the month in which the tax
21 accrues.

22 2. Are delinquent as follows:

23 (a) For taxpayers that are required or elect to file and pay
24 electronically in any month, if not received by the department on or
25 before the last business day of the month.

26 (b) For all other taxpayers, if not received by the department on
27 or before the business day preceding the last business day of the month.

28 B. The department, for any taxpayer whose estimated annual
29 liability for taxes imposed or administered by this article or chapter 6
30 of this title is between \$2,000 and \$8,000, shall authorize the taxpayer
31 to pay the taxes on a quarterly basis. The department, for any taxpayer
32 whose estimated annual liability for taxes imposed by this article is less
33 than \$2,000, shall authorize the taxpayer to pay the taxes on an annual
34 basis. For the purposes of this subsection, the taxes due under this
35 article:

36 1. For taxpayers that are authorized to pay on a quarterly basis,
37 are due and payable monthly in the form required by section 42-5018 for
38 the amount of the tax, to the department, on or before the twentieth day
39 of the month next succeeding the quarter in which the tax accrues.

40 2. For taxpayers that are authorized to pay on an annual basis, are
41 due and payable monthly in the form required by section 42-5018 for the
42 amount of the tax, to the department, on or before the twentieth day of
43 January next succeeding the year in which the tax accrues.

1 3. Are delinquent as follows:

2 (a) For taxpayers that are required or elect to file and pay
3 electronically in any quarter, if not received by the department on or
4 before the last business day of the month.

5 (b) For all other taxpayers that are required to file and pay
6 quarterly, if not received by the department on or before the business day
7 preceding the last business day of the month.

8 (c) For taxpayers that are required or elect to file and pay
9 electronically on an annual basis, if not received by the department on or
10 before the last business day of January.

11 (d) For all other taxpayers that are required to file and pay
12 annually, if not received by the department on or before the business day
13 preceding the last business day of January.

14 C. The department may require a taxpayer whose business is of a
15 transient character to file the return and remit the taxes imposed by this
16 article on a daily, a weekly or a transaction-by-transaction basis, and
17 those returns and payments are due and payable on the date fixed by the
18 department without a grace period otherwise allowed by this section. For
19 the purposes of this subsection, "business of a transient character" means
20 sales activity by a taxpayer not regularly engaged in selling within this
21 state that is conducted from vehicles, portable stands, rented spaces,
22 structures or booths, or concessions at fairs, carnivals, circuses,
23 festivals or similar activities for not more than thirty consecutive days.

24 D. If the business entity under which a taxpayer reports and pays
25 income tax under title 43 has an annual total tax liability under this
26 article, article 6 of this chapter and chapter 6, article 3 of this title
27 of \$1,000,000 or more in 2019, \$1,600,000 or more in 2020, \$2,300,000 or
28 more in 2021, \$3,100,000 or more in 2022 or \$4,100,000 or more in 2023 and
29 each year thereafter, based on the actual tax liability in the preceding
30 calendar year, regardless of the number of offices at which the taxes
31 imposed by this article, article 6 of this chapter or chapter 6, article 3
32 of this title are collected, or if the taxpayer can reasonably anticipate
33 such liability in the current year, the taxpayer shall report on a form
34 prescribed by the department and pay an estimated tax payment each June.
35 Any other taxpayer may voluntarily elect to pay the estimated tax payment
36 pursuant to this subsection. The payment shall be made on or before
37 June 20 in the same manner as the taxpayer is required to make regular
38 payments and is delinquent if not received by the department on or before
39 the last business day of June if the taxpayer is required to make the
40 payment by electronic means, is delinquent on or before the business day
41 preceding the last business day of June for those taxpayers allowed to
42 file by mail or is delinquent if not received by the department on the
43 business day preceding the last business day of June for those taxpayers
44 allowed to file in person. The estimated tax paid shall be credited
45 against the taxpayer's tax liability under this article, article 6 of this

1 chapter and chapter 6, article 3 of this title for the month of June for
2 the current calendar year. The estimated tax payment shall equal either:

3 1. One-half of the actual tax liability under this article plus
4 one-half of any tax liability under article 6 of this chapter and chapter
5 6, article 3 of this title for May of the current calendar year.

6 2. The actual tax liability under this article plus any tax
7 liability under article 6 of this chapter and chapter 6, article 3 of this
8 title for the first fifteen days of June of the current calendar year.

9 ~~E. An online lodging marketplace, as defined in section 42-5076,
10 that is registered with the department pursuant to section 42-5005,
11 subsection L:~~

12 ~~1. Shall remit to the department the applicable taxes payable
13 pursuant to section 42-5076 and chapter 6 of this title with respect to
14 each online lodging transaction, as defined in section 42-5076,
15 facilitated by the online lodging marketplace.~~

16 ~~2. Shall report the taxes monthly and remit the aggregate total
17 amounts for each of the respective taxing jurisdictions.~~

18 ~~3. Shall not be required to list or otherwise identify any
19 individual online lodging operator, as defined in section 42-5076, on any
20 return or any attachment to a return.~~

21 ~~F. A person who is licensed pursuant to title 32, chapter 20 and
22 who is licensed with the department pursuant to section 42-5005,
23 subsection M shall:~~

24 ~~1. File a consolidated return monthly with respect to all managed
25 properties for which the licensee files an electronic consolidated tax
26 return pursuant to section 42-6013.~~

27 ~~2. Remit to the department the aggregate total amount of the
28 applicable taxes payable pursuant to this chapter and chapter 6 of this
29 title for all of the respective taxing jurisdictions with respect to the
30 managed properties.~~

31 ~~G. E.~~ E. A peer-to-peer car sharing program that is licensed by the
32 department pursuant to section 42-5005, subsection ~~N~~ L:

33 1. Shall electronically remit to the department the applicable
34 taxes pursuant to section 42-5071 and chapter 6 of this title and any
35 additional taxes, fees or charges on the gross proceeds or gross income of
36 a shared vehicle transaction, subject to the limitations in section
37 28-9616, and, if the peer-to-peer car sharing program allows owners of
38 vehicles that are not individual-owned shared vehicles to use the
39 peer-to-peer car sharing program, applicable surcharges pursuant to
40 sections 5-839 and 48-4234.

41 2. Shall electronically report the taxes monthly and remit the
42 aggregate total amounts for each respective taxing jurisdiction.

43 3. Is not required to list or otherwise identify an
44 individual-owned shared vehicle on any return or any attachment to a
45 return. The peer-to-peer car sharing program shall retain surcharge and

1 tax information for each peer-to-peer car sharing program transaction and
2 shall provide the information to the department at the department's
3 request.

4 ~~H.~~ F. The remittance of transaction privilege tax and any other
5 tax applicable to a shared vehicle transaction by a peer-to-peer car
6 sharing program fully satisfies any obligation of a shared vehicle owner
7 to remit any taxes applicable to the shared vehicle transaction.

8 ~~I.~~ G. The taxpayer shall prepare a return showing the amount of
9 the tax for which the taxpayer is liable for the preceding month, and
10 shall mail or deliver the return to the department in the same manner and
11 time as prescribed for the payment of taxes in subsection A of this
12 section. If the taxpayer fails to file the return in the manner and time
13 as prescribed for the payment of taxes in subsection A of this section,
14 the amount of the tax required to be shown on the return is subject to the
15 penalty imposed pursuant to section 42-1125, subsection X, without any
16 reduction for taxes paid on or before the due date of the return. The
17 return shall be verified by the oath of the taxpayer or an authorized
18 agent or as prescribed by the department pursuant to section 42-1105,
19 subsection B.

20 ~~J.~~ H. Any person who is taxable under this article and who makes
21 cash and credit sales shall report the cash and credit sales separately
22 and may apply for and obtain from the department an extension of time to
23 pay taxes due on the credit sales. The department shall grant the
24 extension under such rules as the department prescribes. When the
25 extension is granted, the taxpayer shall thereafter include in each
26 monthly report all collections made on such credit sales during the month
27 next preceding and shall pay the taxes due at the time of filing such a
28 report.

29 ~~K.~~ I. The returns required under this article shall be made on
30 forms prescribed by the department and shall capture data with sufficient
31 specificity to meet the needs of all taxing jurisdictions.

32 ~~L.~~ J. Any person who is engaged in or conducting business in two
33 or more locations or under two or more business names shall file the
34 return required under this article using an electronic filing program
35 established by the department.

36 ~~M.~~ K. For taxable periods beginning from and after December 31,
37 2017, any taxpayer with an annual total tax liability under this chapter
38 and chapter 6 of this title of \$20,000 or more, based on the actual tax
39 liability in the preceding calendar year, regardless of the number of
40 offices at which the taxes imposed by this chapter or chapter 6 of this
41 title are collected, or a taxpayer that can reasonably anticipate that
42 liability in the current year, shall file the return required under this
43 article using an electronic filing program established by the department.

1 ~~N.~~ L. For taxable periods beginning from and after December 31,
2 2018, any taxpayer with an annual total tax liability under this chapter
3 and chapter 6 of this title of \$10,000 or more, based on the actual tax
4 liability in the preceding calendar year, regardless of the number of
5 offices at which the taxes imposed by this chapter or chapter 6 of this
6 title are collected, or a taxpayer that can reasonably anticipate that
7 liability in the current year, shall file the return required under this
8 article using an electronic filing program established by the department.

9 ~~O.~~ M. For taxable periods beginning from and after December 31,
10 2019, any taxpayer with an annual total tax liability under this chapter
11 and chapter 6 of this title of \$5,000 or more, based on the actual tax
12 liability in the preceding calendar year, regardless of the number of
13 offices at which the taxes imposed by this chapter or chapter 6 of this
14 title are collected, or a taxpayer that can reasonably anticipate that
15 liability in the current year, shall file the return required under this
16 article using an electronic filing program established by the department.

17 ~~P.~~ N. For taxable periods beginning from and after December 31,
18 2020, any taxpayer with an annual total tax liability under this chapter
19 and chapter 6 of this title of \$500 or more, based on the actual tax
20 liability in the preceding calendar year, regardless of the number of
21 offices at which the taxes imposed by this chapter or chapter 6 of this
22 title are collected, or a taxpayer that can reasonably anticipate that
23 liability in the current year, shall file the return required under this
24 article using an electronic filing program established by the department.

25 ~~Q.~~ O. Any taxpayer that is required to report and pay using an
26 electronic filing program established by the department may apply to the
27 director, on a form prescribed by the department, for an annual waiver
28 from the electronic filing requirement. The director may grant a waiver,
29 which may be renewed, if any of the following applies:

- 30 1. The taxpayer has no computer.
31 2. The taxpayer has no internet access.
32 3. Any other circumstance considered to be worthy by the director
33 exists.

34 ~~R.~~ P. A waiver is not required if the return cannot be
35 electronically filed for reasons beyond the taxpayer's control, including
36 situations in which the taxpayer was instructed by either the internal
37 revenue service or the department of revenue to file by paper.

38 ~~S.~~ Q. The department, for good cause, may extend the time for
39 making any return required by this article and may grant such reasonable
40 additional time within which to make the return as it deems proper, but
41 the time for filing the return shall not be extended beyond the first day
42 of the third month next succeeding the regular due date of the return.

43 ~~T.~~ R. The department, with the approval of the attorney general,
44 may abate small tax balances if the administration costs exceed the amount
45 of tax due.

1 ~~U.~~ S. For the purposes of subsection D of this section, "taxpayer"
2 means the business entity under which the business reports and pays state
3 income taxes regardless of the number of offices at which the taxes
4 imposed by this article, article 6 of this chapter or chapter 6, article 3
5 of this title are collected.

6 ~~V.~~ T. For the purposes of this section, "individual-owned shared
7 vehicle", "peer-to-peer car sharing program", "shared vehicle owner" and
8 "shared vehicle transaction" have the same meanings prescribed in section
9 28-9601.

10 Sec. 7. Repeal

11 Section 42-5042, Arizona Revised Statutes, is repealed.

12 Sec. 8. Section 42-5061, Arizona Revised Statutes, as amended by
13 Laws 2021, chapter 266, section 3, chapter 412, section 7, chapter 417,
14 section 4 and chapter 443, section 2, is amended to read:

15 42-5061. Retail classification; definitions

16 A. The retail classification is comprised of the business of
17 selling tangible personal property at retail. The tax base for the retail
18 classification is the gross proceeds of sales or gross income derived from
19 the business. The tax imposed on the retail classification does not apply
20 to the gross proceeds of sales or gross income from:

21 1. Professional or personal service occupations or businesses that
22 involve sales or transfers of tangible personal property only as
23 inconsequential elements.

24 2. Services rendered in addition to selling tangible personal
25 property at retail.

26 3. Sales of warranty or service contracts. The storage, use or
27 consumption of tangible personal property provided under the conditions of
28 such contracts is subject to tax under section 42-5156.

29 4. Sales of tangible personal property by any nonprofit
30 organization organized and operated exclusively for charitable purposes
31 and recognized by the United States internal revenue service under section
32 501(c)(3) of the internal revenue code.

33 5. Sales to persons engaged in business classified under the
34 restaurant classification of articles used by human beings for food, drink
35 or condiment, whether simple, mixed or compounded.

36 6. Business activity that is properly included in any other
37 business classification that is taxable under this article.

38 7. The sale of stocks and bonds.

39 8. Drugs and medical oxygen, including delivery hose, mask or tent,
40 regulator and tank, if prescribed by a member of the medical, dental or
41 veterinarian profession who is licensed by law to administer such
42 substances.

43 9. Prosthetic appliances as defined in section 23-501 and as
44 prescribed or recommended by a health professional who is licensed
45 pursuant to title 32, chapter 7, 8, 11, 13, 14, 15, 16, 17 or 29.

- 1 10. Insulin, insulin syringes and glucose test strips.
- 2 11. Prescription eyeglasses or contact lenses.
- 3 12. Hearing aids as defined in section 36-1901.
- 4 13. Durable medical equipment that has a centers for medicare and
5 medicaid services common procedure code, is designated reimbursable by
6 medicare, is prescribed by a person who is licensed under title 32,
7 chapter 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is
8 primarily and customarily used to serve a medical purpose, is generally
9 not useful to a person in the absence of illness or injury and is
10 appropriate for use in the home.
- 11 14. Sales of motor vehicles to nonresidents of this state for use
12 outside this state if the motor vehicle dealer ships or delivers the motor
13 vehicle to a destination out of this state.
- 14 15. Food, as provided in and subject to the conditions of article 3
15 of this chapter and sections 42-5074 and 42-6017.
- 16 16. Items purchased with United States department of agriculture
17 coupons issued under the supplemental nutrition assistance program
18 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;
19 7 United States Code sections 2011 through 2036b) by the United States
20 department of agriculture food and nutrition service or food instruments
21 issued under section 17 of the child nutrition act (P.L. 95-627; 92
22 Stat. 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States Code
23 section 1786).
- 24 17. Textbooks by any bookstore that are required by any state
25 university or community college.
- 26 18. Food and drink to a person that is engaged in a business that
27 is classified under the restaurant classification and that provides such
28 food and drink without monetary charge to its employees for their own
29 consumption on the premises during the employees' hours of employment.
- 30 19. Articles of food, drink or condiment and accessory tangible
31 personal property to a school district or charter school if such articles
32 and accessory tangible personal property are to be prepared and served to
33 persons for consumption on the premises of a public school within the
34 district or on the premises of the charter school during school hours.
- 35 20. Lottery tickets or shares pursuant to title 5, chapter 5.1,
36 article 1.
- 37 21. The sale of cash equivalents and the sale of precious metal
38 bullion and monetized bullion to the ultimate consumer, but the sale of
39 coins or other forms of money for manufacture into jewelry or works of art
40 is subject to the tax and the gross proceeds of sales or gross income
41 derived from the redemption of any cash equivalent by the holder as a
42 means of payment for goods or services that are taxable under this article
43 is subject to the tax. For the purposes of this paragraph:
44 (a) "Cash equivalents" means items or intangibles, whether or not
45 negotiable, that are sold to one or more persons, through which a value

1 denominated in money is purchased in advance and may be redeemed in full
2 or in part for tangible personal property, intangibles or services. Cash
3 equivalents include gift cards, stored value cards, gift certificates,
4 vouchers, traveler's checks, money orders or other instruments, orders or
5 electronic mechanisms, such as an electronic code, personal identification
6 number or digital payment mechanism, or any other prepaid intangible right
7 to acquire tangible personal property, intangibles or services in the
8 future, whether from the seller of the cash equivalent or from another
9 person. Cash equivalents do not include either of the following:

10 (i) Items or intangibles that are sold to one or more persons,
11 through which a value is not denominated in money.

12 (ii) Prepaid calling cards or prepaid authorization numbers for
13 telecommunications services made taxable by subsection P of this section.

14 (b) "Monetized bullion" means coins and other forms of money that
15 are manufactured from gold, silver or other metals and that have been or
16 are used as a medium of exchange in this or another state, the United
17 States or a foreign nation.

18 (c) "Precious metal bullion" means precious metal, including gold,
19 silver, platinum, rhodium and palladium, that has been smelted or refined
20 so that its value depends on its contents and not on its form.

21 22. Motor vehicle fuel and use fuel that are subject to a tax
22 imposed under title 28, chapter 16, article 1, sales of use fuel to a
23 holder of a valid single trip use fuel tax permit issued under section
24 28-5739, sales of aviation fuel that are subject to the tax imposed under
25 section 28-8344 and sales of jet fuel that are subject to the tax imposed
26 under article 8 of this chapter.

27 23. Tangible personal property sold to a person engaged in the
28 business of leasing or renting such property under the personal property
29 rental classification if such property is to be leased or rented by such
30 person.

31 24. Tangible personal property sold in interstate or foreign
32 commerce if prohibited from being so taxed by the constitution of the
33 United States or the constitution of this state.

34 25. Tangible personal property sold to:

35 (a) A qualifying hospital as defined in section 42-5001.

36 (b) A qualifying health care organization as defined in section
37 42-5001 if the tangible personal property is used by the organization
38 solely to provide health and medical related educational and charitable
39 services.

40 (c) A qualifying health care organization as defined in section
41 42-5001 if the organization is dedicated to providing educational,
42 therapeutic, rehabilitative and family medical education training for
43 blind and visually impaired children and children with multiple
44 disabilities from the time of birth to age twenty-one.

1 (d) A qualifying community health center as defined in section
2 42-5001.

3 (e) A nonprofit charitable organization that has qualified under
4 section 501(c)(3) of the internal revenue code and that regularly serves
5 meals to the needy and indigent on a continuing basis at no cost.

6 (f) For taxable periods beginning from and after June 30, 2001, a
7 nonprofit charitable organization that has qualified under section
8 501(c)(3) of the internal revenue code and that provides residential
9 apartment housing for low-income persons over sixty-two years of age in a
10 facility that qualifies for a federal housing subsidy, if the tangible
11 personal property is used by the organization solely to provide
12 residential apartment housing for low-income persons over sixty-two years
13 of age in a facility that qualifies for a federal housing subsidy.

14 (g) A qualifying health sciences educational institution as defined
15 in section 42-5001.

16 (h) Any person representing or working on behalf of another person
17 described in subdivisions (a) through (g) of this paragraph if the
18 tangible personal property is incorporated or fabricated into a project
19 described in section 42-5075, subsection 0.

20 26. Magazines or other periodicals or other publications by this
21 state to encourage tourist travel.

22 27. Tangible personal property sold to:

23 (a) A person that is subject to tax under this article by reason of
24 being engaged in business classified under section 42-5075 or to a
25 subcontractor working under the control of a person engaged in business
26 classified under section 42-5075, if the property so sold is any of the
27 following:

28 (i) Incorporated or fabricated by the person into any real
29 property, structure, project, development or improvement as part of the
30 business.

31 (ii) Incorporated or fabricated by the person into any project
32 described in section 42-5075, subsection 0.

33 (iii) Used in environmental response or remediation activities
34 under section 42-5075, subsection B, paragraph 6.

35 (b) A person that is not subject to tax under section 42-5075 and
36 that has been provided a copy of a certificate under section 42-5009,
37 subsection L, if the property so sold is incorporated or fabricated by the
38 person into the real property, structure, project, development or
39 improvement described in the certificate.

40 28. The sale of a motor vehicle to a nonresident of this state if
41 the purchaser's state of residence does not allow a corresponding use tax
42 exemption to the tax imposed by article 1 of this chapter and if the
43 nonresident has secured a special ninety day nonresident registration
44 permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01.

1 29. Tangible personal property purchased in this state by a
2 nonprofit charitable organization that has qualified under section
3 501(c)(3) of the United States internal revenue code and that engages in
4 and uses such property exclusively in programs for persons with mental or
5 physical disabilities if the programs are exclusively for training, job
6 placement, rehabilitation or testing.

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

20 31. Sales of commodities, as defined by title 7 United States Code
21 section 2, that are consigned for resale in a warehouse in this state in
22 or from which the commodity is deliverable on a contract for future
23 delivery subject to the rules of a commodity market regulated by the
24 United States commodity futures trading commission.

25 32. Sales of tangible personal property by a nonprofit organization
26 that is exempt from taxation under section 501(c)(3), 501(c)(4),
27 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code if the
28 organization sponsors or operates a rodeo featuring primarily farm and
29 ranch animals and no part of the organization's net earnings inures to the
30 benefit of any private shareholder or individual.

31 33. Sales of propagative materials to persons who use those items
32 to commercially produce agricultural, horticultural, viticultural or
33 floricultural crops in this state. For the purposes of this paragraph,
34 "propagative materials":

35 (a) Includes seeds, seedlings, roots, bulbs, liners, transplants,
36 cuttings, soil and plant additives, agricultural minerals, auxiliary soil
37 and plant substances, micronutrients, fertilizers, insecticides,
38 herbicides, fungicides, soil fumigants, desiccants, rodenticides,
39 adjuvants, plant nutrients and plant growth regulators.

40 (b) Except for use in commercially producing industrial hemp as
41 defined in section 3-311, does not include any propagative materials used
42 in producing any part, including seeds, of any plant of the genus
43 cannabis.

44 34. Machinery, equipment, technology or related supplies that are
45 only useful to assist a person with a physical disability as defined in

1 section 46-191 or a person who has a developmental disability as defined
2 in section 36-551 or has a head injury as defined in section 41-3201 to be
3 more independent and functional.

4 35. Sales of natural gas or liquefied petroleum gas used to propel
5 a motor vehicle.

6 36. Paper machine clothing, such as forming fabrics and dryer
7 felts, sold to a paper manufacturer and directly used or consumed in paper
8 manufacturing.

9 37. Coal, petroleum, coke, natural gas, virgin fuel oil and
10 electricity sold to a qualified environmental technology manufacturer,
11 producer or processor as defined in section 41-1514.02 and directly used
12 or consumed in generating or providing on-site power or energy solely
13 for environmental technology manufacturing, producing or processing or
14 environmental protection. This paragraph applies for twenty full
15 consecutive calendar or fiscal years ~~from~~ AFTER the date the first paper
16 manufacturing machine is placed in service. In the case of an
17 environmental technology manufacturer, producer or processor that does not
18 manufacture paper, the time period begins with the date the first
19 manufacturing, processing or production equipment is placed in service.

20 38. Sales of liquid, solid or gaseous chemicals used in
21 manufacturing, processing, fabricating, mining, refining, metallurgical
22 operations, research and development and, beginning on January 1, 1999,
23 printing, if using or consuming the chemicals, alone or as part of an
24 integrated system of chemicals, involves direct contact with the materials
25 from which the product is produced for the purpose of causing or allowing
26 a chemical or physical change to occur in the materials as part of the
27 production process. This paragraph does not include chemicals that are
28 used or consumed in activities such as packaging, storage or
29 transportation but does not affect any deduction for such chemicals that
30 is otherwise provided by this section. For the purposes of this
31 paragraph, "printing" means a commercial printing operation and includes
32 job printing, engraving, embossing, copying and bookbinding.

33 39. Through December 31, 1994, personal property liquidation
34 transactions, conducted by a personal property liquidator. From and after
35 December 31, 1994, personal property liquidation transactions shall be
36 taxable under this section provided that nothing in this subsection shall
37 be construed to authorize the taxation of casual activities or
38 transactions under this chapter. For the purposes of this paragraph:

39 (a) "Personal property liquidation transaction" means a sale of
40 personal property made by a personal property liquidator acting solely on
41 behalf of the owner of the personal property sold at the dwelling of the
42 owner or on the death of any owner, on behalf of the surviving spouse, if
43 any, any devisee or heir or the personal representative of the estate of
44 the deceased, if one has been appointed.

1 (b) "Personal property liquidator" means a person who is retained
2 to conduct a sale in a personal property liquidation transaction.

3 40. Sales of food, drink and condiment for consumption within the
4 premises of any prison, jail or other institution under the jurisdiction
5 of the state department of corrections, the department of public safety,
6 the department of juvenile corrections or a county sheriff.

7 41. A motor vehicle and any repair and replacement parts and
8 tangible personal property becoming a part of such motor vehicle sold to a
9 motor carrier that is subject to a fee prescribed in title 28, chapter 16,
10 article 4 and that is engaged in the business of leasing or renting such
11 property.

12 42. Sales of:

13 (a) Livestock and poultry to persons engaging in the businesses of
14 farming, ranching or producing livestock or poultry.

15 (b) Livestock and poultry feed, salts, vitamins and other additives
16 for livestock or poultry consumption that are sold to persons for use or
17 consumption by their own livestock or poultry, for use or consumption in
18 the businesses of farming, ranching and producing or feeding livestock,
19 poultry, or livestock or poultry products or for use or consumption in
20 noncommercial boarding of livestock. For the purposes of this paragraph,
21 "poultry" includes ratites.

22 43. Sales of implants used as growth promotants and injectable
23 medicines, not already exempt under paragraph 8 of this subsection, for
24 livestock or poultry owned by or in possession of persons that are engaged
25 in producing livestock, poultry, or livestock or poultry products or that
26 are engaged in feeding livestock or poultry commercially. For the
27 purposes of this paragraph, "poultry" includes ratites.

28 44. Sales of motor vehicles at auction to nonresidents of this
29 state for use outside this state if the vehicles are shipped or delivered
30 out of this state, regardless of where title to the motor vehicles passes
31 or its free on board point.

32 45. Tangible personal property sold to a person engaged in business
33 and subject to tax under the transient lodging classification if the
34 tangible personal property is a personal hygiene item or articles used by
35 human beings for food, drink or condiment, except alcoholic beverages,
36 that are furnished without additional charge to and intended to be
37 consumed by the transient during the transient's occupancy.

38 46. Sales of alternative fuel, as defined in section 1-215, to a
39 used oil fuel burner who has received a permit to burn used oil or used
40 oil fuel under section 49-426 or 49-480.

41 47. Sales of materials that are purchased by or for publicly funded
42 libraries, including school district libraries, charter school libraries,
43 community college libraries, state university libraries or federal, state,
44 county or municipal libraries, for use by the public as follows:

45 (a) Printed or photographic materials, beginning August 7, 1985.

1 (b) Electronic or digital media materials, beginning July 17, 1994.

2 48. Tangible personal property sold to a commercial airline and
3 consisting of food, beverages and condiments and accessories used for
4 serving the food and beverages, if those items are to be provided without
5 additional charge to passengers for consumption in flight. For the
6 purposes of this paragraph, "commercial airline" means a person holding a
7 federal certificate of public convenience and necessity or foreign air
8 carrier permit for air transportation to transport persons, property or
9 United States mail in intrastate, interstate or foreign commerce.

10 49. Sales of alternative fuel vehicles if the vehicle was
11 manufactured as a diesel fuel vehicle and converted to operate on
12 alternative fuel and equipment that is installed in a conventional diesel
13 fuel motor vehicle to convert the vehicle to operate on an alternative
14 fuel, as defined in section 1-215.

15 50. Sales of any spirituous, vinous or malt liquor by a person that
16 is licensed in this state as a wholesaler by the department of liquor
17 licenses and control pursuant to title 4, chapter 2, article 1.

18 51. Sales of tangible personal property to be incorporated or
19 installed as part of environmental response or remediation activities
20 under section 42-5075, subsection B, paragraph 6.

21 52. Sales of tangible personal property by a nonprofit organization
22 that is exempt from taxation under section 501(c)(6) of the internal
23 revenue code if the organization produces, organizes or promotes cultural
24 or civic related festivals or events and no part of the organization's net
25 earnings inures to the benefit of any private shareholder or individual.

26 53. Application services that are designed to assess or test
27 student learning or to promote curriculum design or enhancement purchased
28 by or for any school district, charter school, community college or state
29 university. For the purposes of this paragraph:

30 (a) "Application services" means software applications provided
31 remotely using hypertext transfer protocol or another network protocol.

32 (b) "Curriculum design or enhancement" means planning, implementing
33 or reporting on courses of study, lessons, assignments or other learning
34 activities.

35 54. Sales of motor vehicle fuel and use fuel to a qualified
36 business under section 41-1516 for off-road use in harvesting, processing
37 or transporting qualifying forest products removed from qualifying
38 projects as defined in section 41-1516.

39 55. Sales of repair parts installed in equipment used directly by a
40 qualified business under section 41-1516 in harvesting, processing or
41 transporting qualifying forest products removed from qualifying projects
42 as defined in section 41-1516.

43 56. Sales or other transfers of renewable energy credits or any
44 other unit created to track energy derived from renewable energy
45 resources. For the purposes of this paragraph, "renewable energy credit"

1 means a unit created administratively by the corporation commission or
2 governing body of a public power utility to track kilowatt hours of
3 electricity derived from a renewable energy resource or the kilowatt hour
4 equivalent of conventional energy resources displaced by distributed
5 renewable energy resources.

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

9 58. Sales of tangible personal property incorporated or fabricated
10 into a project described in section 42-5075, subsection 0, that is located
11 within the exterior boundaries of an Indian reservation for which the
12 owner, as defined in section 42-5075, of the project is an Indian tribe or
13 an affiliated Indian. For the purposes of this paragraph:

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

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

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

26 59. Sales of works of fine art, as defined in section 44-1771, at
27 an art auction or gallery in this state to nonresidents of this state for
28 use outside this state if the vendor ships or delivers the work of fine
29 art to a destination outside this state.

30 60. Sales of tangible personal property by a marketplace seller
31 that are facilitated by a marketplace facilitator in which the marketplace
32 facilitator has remitted or will remit the applicable tax to the
33 department pursuant to section 42-5014.

34 B. In addition to the deductions from the tax base prescribed by
35 subsection A of this section, the gross proceeds of sales or gross income
36 derived from sales of the following categories of tangible personal
37 property shall be deducted from the tax base:

38 1. Machinery, or equipment, used directly in manufacturing,
39 processing, fabricating, job printing, refining or metallurgical
40 operations. The terms "manufacturing", "processing", "fabricating", "job
41 printing", "refining" and "metallurgical" as used in this paragraph refer
42 to and include those operations commonly understood within their ordinary
43 meaning. "Metallurgical operations" includes leaching, milling,
44 precipitating, smelting and refining.

1 2. Mining machinery, or equipment, used directly in the process of
2 extracting ores or minerals from the earth for commercial purposes,
3 including equipment required to prepare the materials for extraction and
4 handling, loading or transporting such extracted material to the
5 surface. "Mining" includes underground, surface and open pit operations
6 for extracting ores and minerals.

7 3. Tangible personal property sold to persons engaged in business
8 classified under the telecommunications classification, including a person
9 representing or working on behalf of such a person in a manner described
10 in section 42-5075, subsection 0, and consisting of central office
11 switching equipment, switchboards, private branch exchange equipment,
12 microwave radio equipment and carrier equipment including optical fiber,
13 coaxial cable and other transmission media that are components of carrier
14 systems.

15 4. Machinery, equipment or transmission lines used directly in
16 producing or transmitting electrical power, but not including
17 distribution. Transformers and control equipment used at transmission
18 substation sites constitute equipment used in producing or transmitting
19 electrical power.

20 5. Machinery and equipment used directly for energy storage for
21 later electrical use. For the purposes of this paragraph:

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

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

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

33 6. Neat animals, horses, asses, sheep, ratites, swine or goats used
34 or to be used as breeding or production stock, including sales of
35 breedings or ownership shares in such animals used for breeding or
36 production.

37 7. Pipes or valves four inches in diameter or larger used to
38 transport oil, natural gas, artificial gas, water or coal slurry,
39 including compressor units, regulators, machinery and equipment, fittings,
40 seals and any other part that is used in operating the pipes or valves.

41 8. Aircraft, navigational and communication instruments and other
42 accessories and related equipment sold to:

43 (a) A person:

44 (i) Holding, or exempted by federal law from obtaining, a federal
45 certificate of public convenience and necessity for use as, in conjunction

1 with or becoming part of an aircraft to be used to transport persons for
2 hire in intrastate, interstate or foreign commerce.

3 (ii) That is certificated or licensed under federal aviation
4 administration regulations (14 Code of Federal Regulations part 121 or
5 135) as a scheduled or unscheduled carrier of persons for hire for use as
6 or in conjunction with or becoming part of an aircraft to be used to
7 transport persons for hire in intrastate, interstate or foreign commerce.

8 (iii) Holding a foreign air carrier permit for air transportation
9 for use as or in conjunction with or becoming a part of aircraft to be
10 used to transport persons, property or United States mail in intrastate,
11 interstate or foreign commerce.

12 (iv) Operating an aircraft to transport persons in any manner for
13 compensation or hire, or for use in a fractional ownership program that
14 meets the requirements of federal aviation administration regulations (14
15 Code of Federal Regulations part 91, subpart K), including as an air
16 carrier, a foreign air carrier or a commercial operator or under a
17 restricted category, within the meaning of 14 Code of Federal Regulations,
18 regardless of whether the operation or aircraft is regulated or certified
19 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code
20 of Federal Regulations.

21 (v) That will lease or otherwise transfer operational control,
22 within the meaning of federal aviation administration operations
23 specification A008, or its successor, of the aircraft, instruments or
24 accessories to one or more persons described in item (i), (ii), (iii) or
25 (iv) of this subdivision, subject to section 42-5009, subsection ~~Q~~ P.

26 (b) Any foreign government.

27 (c) Persons who are not residents of this state and who will not
28 use such property in this state other than in removing such property from
29 this state. This subdivision also applies to corporations that are not
30 incorporated in this state, regardless of maintaining a place of business
31 in this state, if the principal corporate office is located outside this
32 state and the property will not be used in this state other than in
33 removing the property from this state.

34 9. Machinery, tools, equipment and related supplies used or
35 consumed directly in repairing, remodeling or maintaining aircraft,
36 aircraft engines or aircraft component parts by or on behalf of a
37 certificated or licensed carrier of persons or property.

38 10. Railroad rolling stock, rails, ties and signal control
39 equipment used directly to transport persons or property.

40 11. Machinery or equipment used directly to drill for oil or gas or
41 used directly in the process of extracting oil or gas from the earth for
42 commercial purposes.

1 12. Buses or other urban mass transit vehicles that are used
2 directly to transport persons or property for hire or pursuant to a
3 governmentally adopted and controlled urban mass transportation program
4 and that are sold to bus companies holding a federal certificate of
5 convenience and necessity or operated by any city, town or other
6 governmental entity or by any person contracting with such governmental
7 entity as part of a governmentally adopted and controlled program to
8 provide urban mass transportation.

9 13. Groundwater measuring devices required under section 45-604.

10 14. New machinery and equipment consisting of agricultural
11 aircraft, tractors, tractor-drawn implements, self-powered implements,
12 machinery and equipment necessary for extracting milk, and machinery and
13 equipment necessary for cooling milk and livestock, and drip irrigation
14 lines not already exempt under paragraph 7 of this subsection and that are
15 used for commercial production of agricultural, horticultural,
16 viticultural and floricultural crops and products in this state. For the
17 purposes of this paragraph:

18 (a) "New machinery and equipment" means machinery and equipment
19 that have never been sold at retail except pursuant to leases or rentals
20 that do not total two years or more.

21 (b) "Self-powered implements" includes machinery and equipment that
22 are electric-powered.

23 15. Machinery or equipment used in research and development. For
24 the purposes of this paragraph, "research and development" means basic and
25 applied research in the sciences and engineering, and designing,
26 developing or testing prototypes, processes or new products, including
27 research and development of computer software that is embedded in or an
28 integral part of the prototype or new product or that is required for
29 machinery or equipment otherwise exempt under this section to function
30 effectively. Research and development do not include manufacturing
31 quality control, routine consumer product testing, market research, sales
32 promotion, sales service, research in social sciences or psychology,
33 computer software research that is not included in the definition of
34 research and development, or other nontechnological activities or
35 technical services.

36 16. Tangible personal property that is used by either of the
37 following to receive, store, convert, produce, generate, decode, encode,
38 control or transmit telecommunications information:

39 (a) Any direct broadcast satellite television or data transmission
40 service that operates pursuant to 47 Code of Federal Regulations part 25.

41 (b) Any satellite television or data transmission facility, if both
42 of the following conditions are met:

43 (i) Over two-thirds of the transmissions, measured in megabytes,
44 transmitted by the facility during the test period were transmitted to or
45 on behalf of one or more direct broadcast satellite television or data

1 transmission services that operate pursuant to 47 Code of Federal
2 Regulations part 25.

3 (ii) Over two-thirds of the transmissions, measured in megabytes,
4 transmitted by or on behalf of those direct broadcast television or data
5 transmission services during the test period were transmitted by the
6 facility to or on behalf of those services. For the purposes of
7 subdivision (b) of this paragraph, "test period" means the three hundred
8 sixty-five day period beginning on the later of the date on which the
9 tangible personal property is purchased or the date on which the direct
10 broadcast satellite television or data transmission service first
11 transmits information to its customers.

12 17. Clean rooms that are used for manufacturing, processing,
13 fabrication or research and development, as defined in paragraph 15 of
14 this subsection, of semiconductor products. For the purposes of this
15 paragraph, "clean room" means all property that comprises or creates an
16 environment where humidity, temperature, particulate matter and
17 contamination are precisely controlled within specified parameters,
18 without regard to whether the property is actually contained within that
19 environment or whether any of the property is affixed to or incorporated
20 into real property. Clean room:

21 (a) Includes the integrated systems, fixtures, piping, movable
22 partitions, lighting and all property that is necessary or adapted to
23 reduce contamination or to control airflow, temperature, humidity,
24 chemical purity or other environmental conditions or manufacturing
25 tolerances, as well as the production machinery and equipment operating in
26 conjunction with the clean room environment.

27 (b) Does not include the building or other permanent, nonremovable
28 component of the building that houses the clean room environment.

29 18. Machinery and equipment used directly in feeding poultry,
30 environmentally controlling housing for poultry, moving eggs within a
31 production and packaging facility or sorting or cooling eggs. This
32 exemption does not apply to vehicles used for transporting eggs.

33 19. Machinery or equipment, including related structural components
34 and containment structures, that is employed in connection with
35 manufacturing, processing, fabricating, job printing, refining, mining,
36 natural gas pipelines, metallurgical operations, telecommunications,
37 producing or transmitting electricity or research and development and that
38 is used directly to meet or exceed rules or regulations adopted by the
39 federal energy regulatory commission, the United States environmental
40 protection agency, the United States nuclear regulatory commission, the
41 Arizona department of environmental quality or a political subdivision of
42 this state to prevent, monitor, control or reduce land, water or air
43 pollution.

1 20. Machinery and equipment that are sold to a person engaged in
2 commercially producing livestock, livestock products or agricultural,
3 horticultural, viticultural or floricultural crops or products in this
4 state, including a person representing or working on behalf of such a
5 person in a manner described in section 42-5075, subsection 0, if the
6 machinery and equipment are used directly and primarily to prevent,
7 monitor, control or reduce air, water or land pollution.

8 21. Machinery or equipment that enables a television station to
9 originate and broadcast or to receive and broadcast digital television
10 signals and that was purchased to facilitate compliance with the
11 telecommunications act of 1996 (P.L. 104-104; 110 Stat. 56; 47 United
12 States Code section 336) and the federal communications commission order
13 issued April 21, 1997 (47 Code of Federal Regulations part 73). This
14 paragraph does not exempt any of the following:

15 (a) Repair or replacement parts purchased for the machinery or
16 equipment described in this paragraph.

17 (b) Machinery or equipment purchased to replace machinery or
18 equipment for which an exemption was previously claimed and taken under
19 this paragraph.

20 (c) Any machinery or equipment purchased after the television
21 station has ceased analog broadcasting, or purchased after November 1,
22 2009, whichever occurs first.

23 22. Qualifying equipment that is purchased from and after June 30,
24 2004 through June 30, 2024 by a qualified business under section 41-1516
25 for harvesting or processing qualifying forest products removed from
26 qualifying projects as defined in section 41-1516. To qualify for this
27 deduction, the qualified business at the time of purchase must present its
28 certification approved by the department.

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

37 C. The deductions provided by subsection B of this section do not
38 include sales of:

39 1. Expendable materials. For the purposes of this paragraph,
40 expendable materials do not include any of the categories of tangible
41 personal property specified in subsection B of this section regardless of
42 the cost or useful life of that property.

43 2. Janitorial equipment and hand tools.

44 3. Office equipment, furniture and supplies.

1 4. Tangible personal property used in selling or distributing
2 activities, other than the telecommunications transmissions described in
3 subsection B, paragraph 16 of this section.

4 5. Motor vehicles required to be licensed by this state, except
5 buses or other urban mass transit vehicles specifically exempted pursuant
6 to subsection B, paragraph 12 of this section, without regard to the use
7 of such motor vehicles.

8 6. Shops, buildings, docks, depots and all other materials of
9 whatever kind or character not specifically included as exempt.

10 7. Motors and pumps used in drip irrigation systems.

11 8. Machinery and equipment or other tangible personal property used
12 by a contractor in performing a contract.

13 D. In addition to the deductions from the tax base prescribed by
14 subsection A of this section, there shall be deducted from the tax base
15 the gross proceeds of sales or gross income derived from sales of
16 machinery, equipment, materials and other tangible personal property used
17 directly and predominantly to construct a qualified environmental
18 technology manufacturing, producing or processing facility as described in
19 section 41-1514.02. This subsection applies for ten full consecutive
20 calendar or fiscal years after the start of initial construction.

21 E. In computing the tax base, gross proceeds of sales or gross
22 income from retail sales of heavy trucks and trailers does not include any
23 amount attributable to federal excise taxes imposed by 26 United States
24 Code section 4051.

25 F. If a person is engaged in an occupation or business to which
26 subsection A of this section applies, the person's books shall be kept so
27 as to show separately the gross proceeds of sales of tangible personal
28 property and the gross income from sales of services, and if not so kept
29 the tax shall be imposed on the total of the person's gross proceeds of
30 sales of tangible personal property and gross income from services.

31 G. If a person is engaged in the business of selling tangible
32 personal property at both wholesale and retail, the tax under this section
33 applies only to the gross proceeds of the sales made other than at
34 wholesale if the person's books are kept so as to show separately the
35 gross proceeds of sales of each class, and if the books are not so kept,
36 the tax under this section applies to the gross proceeds of every sale so
37 made.

38 H. A person who engages in manufacturing, baling, crating, boxing,
39 barreling, canning, bottling, sacking, preserving, processing or otherwise
40 preparing for sale or commercial use any livestock, agricultural or
41 horticultural product or any other product, article, substance or
42 commodity and who sells the product of such business at retail in this
43 state is deemed, as to such sales, to be engaged in business classified
44 under the retail classification. This subsection does not apply to:

1 1. Agricultural producers who are owners, proprietors or tenants of
2 agricultural lands, orchards, farms or gardens where agricultural products
3 are grown, raised or prepared for market and who are marketing their own
4 agricultural products.

5 2. Businesses classified under the:

6 (a) Transporting classification.

7 (b) Utilities classification.

8 (c) Telecommunications classification.

9 (d) Pipeline classification.

10 (e) Private car line classification.

11 (f) Publication classification.

12 (g) Job printing classification.

13 (h) Prime contracting classification.

14 (i) Restaurant classification.

15 I. The gross proceeds of sales or gross income derived from the
16 following shall be deducted from the tax base for the retail
17 classification:

18 1. Sales made directly to the United States government or its
19 departments or agencies by a manufacturer, modifier, assembler or
20 repairer.

21 2. Sales made directly to a manufacturer, modifier, assembler or
22 repairer if such sales are of any ingredient or component part of products
23 sold directly to the United States government or its departments or
24 agencies by the manufacturer, modifier, assembler or repairer.

25 3. Overhead materials or other tangible personal property that is
26 used in performing a contract between the United States government and a
27 manufacturer, modifier, assembler or repairer, including property used in
28 performing a subcontract with a government contractor who is a
29 manufacturer, modifier, assembler or repairer, to which title passes to
30 the government under the terms of the contract or subcontract.

31 4. Sales of overhead materials or other tangible personal property
32 to a manufacturer, modifier, assembler or repairer if the gross proceeds
33 of sales or gross income derived from the property by the manufacturer,
34 modifier, assembler or repairer will be exempt under paragraph 3 of this
35 subsection.

36 J. There shall be deducted from the tax base fifty percent of the
37 gross proceeds or gross income from any sale of tangible personal property
38 made directly to the United States government or its departments or
39 agencies that is not deducted under subsection I of this section.

40 K. The department shall require every person claiming a deduction
41 provided by subsection I or J of this section to file on forms prescribed
42 by the department at such times as the department directs a sworn
43 statement disclosing the name of the purchaser and the exact amount of
44 sales on which the exclusion or deduction is claimed.

1 L. In computing the tax base, gross proceeds of sales or gross
2 income does not include:

3 1. A manufacturer's cash rebate on the sales price of a motor
4 vehicle if the buyer assigns the buyer's right in the rebate to the
5 retailer.

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

7 M. There shall be deducted from the tax base the amount received
8 from sales of solar energy devices. The retailer shall register with the
9 department as a solar energy retailer. By registering, the retailer
10 acknowledges that it will make its books and records relating to sales of
11 solar energy devices available to the department for examination.

12 N. In computing the tax base in the case of the sale or transfer of
13 wireless telecommunications equipment as an inducement to a customer to
14 enter into or continue a contract for telecommunications services that are
15 taxable under section 42-5064, gross proceeds of sales or gross income
16 does not include any sales commissions or other compensation received by
17 the retailer as a result of the customer entering into or continuing a
18 contract for the telecommunications services.

19 O. For the purposes of this section, a sale of wireless
20 telecommunications equipment to a person who holds the equipment for sale
21 or transfer to a customer as an inducement to enter into or continue a
22 contract for telecommunications services that are taxable under section
23 42-5064 is considered to be a sale for resale in the regular course of
24 business.

25 P. Retail sales of prepaid calling cards or prepaid authorization
26 numbers for telecommunications services, including sales of
27 reauthorization of a prepaid card or authorization number, are subject to
28 tax under this section.

29 Q. For the purposes of this section, the diversion of gas from a
30 pipeline by a person engaged in the business of:

31 1. Operating a natural or artificial gas pipeline, for the sole
32 purpose of fueling compressor equipment to pressurize the pipeline, is not
33 a sale of the gas to the operator of the pipeline.

34 2. Converting natural gas into liquefied natural gas, for the sole
35 purpose of fueling compressor equipment used in the conversion process, is
36 not a sale of gas to the operator of the compressor equipment.

37 R. For the purposes of this section, the transfer of title or
38 possession of coal from an owner or operator of a power plant to a person
39 in the business of refining coal is not a sale of coal if both of the
40 following apply:

41 1. The transfer of title or possession of the coal is for the
42 purpose of refining the coal.

43 2. The title or possession of the coal is transferred back to the
44 owner or operator of the power plant after completion of the coal refining
45 process. For the purposes of this paragraph, "coal refining process"

1 means the application of a coal additive system that aids in the reduction
2 of power plant emissions during the combustion of coal and the treatment
3 of flue gas.

4 S. If a seller is entitled to a deduction pursuant to subsection B,
5 paragraph 16, subdivision (b) of this section, the department may require
6 the purchaser to establish that the requirements of subsection B,
7 paragraph 16, subdivision (b) of this section have been satisfied. If the
8 purchaser cannot establish that the requirements of subsection B,
9 paragraph 16, subdivision (b) of this section have been satisfied, the
10 purchaser is liable in an amount equal to any tax, penalty and interest
11 that the seller would have been required to pay under article 1 of this
12 chapter if the seller had not made a deduction pursuant to subsection B,
13 paragraph 16, subdivision (b) of this section. Payment of the amount
14 under this subsection exempts the purchaser from liability for any tax
15 imposed under article 4 of this chapter and related to the tangible
16 personal property purchased. The amount shall be treated as transaction
17 privilege tax to the purchaser and as tax revenues collected from the
18 seller to designate the distribution base pursuant to section 42-5029.

19 T. For the purposes of section 42-5032.01, the department shall
20 separately account for revenues collected under the retail classification
21 from businesses selling tangible personal property at retail:

22 1. On the premises of a multipurpose facility that is owned, leased
23 or operated by the tourism and sports authority pursuant to title 5,
24 chapter 8.

25 2. At professional football contests that are held in a stadium
26 located on the campus of an institution under the jurisdiction of the
27 Arizona board of regents.

28 U. In computing the tax base for the sale of a motor vehicle to a
29 nonresident of this state, if the purchaser's state of residence allows a
30 corresponding use tax exemption to the tax imposed by article 1 of this
31 chapter and the rate of the tax in the purchaser's state of residence is
32 lower than the rate prescribed in article 1 of this chapter or if the
33 purchaser's state of residence does not impose an excise tax, and the
34 nonresident has secured a special ninety day nonresident registration
35 permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01,
36 there shall be deducted from the tax base a portion of the gross proceeds
37 or gross income from the sale so that the amount of transaction privilege
38 tax that is paid in this state is equal to the excise tax that is imposed
39 by the purchaser's state of residence on the nonexempt sale or use of the
40 motor vehicle.

41 V. For the purposes of this section:

42 1. "Agricultural aircraft" means an aircraft that is built for
43 agricultural use for the aerial application of pesticides or fertilizer or
44 for aerial seeding.

1 2. "Aircraft" includes:

2 (a) An airplane flight simulator that is approved by the federal
3 aviation administration for use as a phase II or higher flight simulator
4 under appendix H, 14 Code of Federal Regulations part 121.

5 (b) Tangible personal property that is permanently affixed or
6 attached as a component part of an aircraft that is owned or operated by a
7 certificated or licensed carrier of persons or property.

8 3. "Other accessories and related equipment" includes aircraft
9 accessories and equipment such as ground service equipment that physically
10 contact aircraft at some point during the overall carrier operation.

11 4. "Selling at retail" means a sale for any purpose other than for
12 resale in the regular course of business in the form of tangible personal
13 property, but transfer of possession, lease and rental as used in the
14 definition of sale mean only such transactions as are found on
15 investigation to be in lieu of sales as defined without the words lease or
16 rental.

17 W. For the purposes of subsection I of this section:

18 1. "Assembler" means a person who unites or combines products,
19 wares or articles of manufacture so as to produce a change in form or
20 substance without changing or altering the component parts.

21 2. "Manufacturer" means a person who is principally engaged in
22 fabricating, producing or manufacturing products, wares or articles for
23 use from raw or prepared materials, imparting to those materials new
24 forms, qualities, properties and combinations.

25 3. "Modifier" means a person who reworks, changes or adds to
26 products, wares or articles of manufacture.

27 4. "Overhead materials" means tangible personal property, the gross
28 proceeds of sales or gross income derived from that would otherwise be
29 included in the retail classification, and that are used or consumed in
30 performing a contract, the cost of which is charged to an overhead expense
31 account and allocated to various contracts based on generally accepted
32 accounting principles and consistent with government contract accounting
33 standards.

34 5. "Repairer" means a person who restores or renews products, wares
35 or articles of manufacture.

36 6. "Subcontract" means an agreement between a contractor and any
37 person who is not an employee of the contractor for furnishing supplies
38 or services that, in whole or in part, are necessary to perform one or
39 more government contracts, or under which any portion of the contractor's
40 obligation under one or more government contracts is performed, undertaken
41 or assumed and that includes provisions causing title to overhead
42 materials or other tangible personal property used in performing the
43 subcontract to pass to the government or that includes provisions
44 incorporating such title passing clauses in a government contract into the
45 subcontract.

1 Sec. 9. Section 42-5061, Arizona Revised Statutes, as amended by
2 Laws 2021, chapter 266, section 4, chapter 412, section 8, chapter 417,
3 section 5 and chapter 443, section 3, is amended to read:

4 42-5061. Retail classification; definitions

5 A. The retail classification is comprised of the business of
6 selling tangible personal property at retail. The tax base for the retail
7 classification is the gross proceeds of sales or gross income derived from
8 the business. The tax imposed on the retail classification does not apply
9 to the gross proceeds of sales or gross income from:

10 1. Professional or personal service occupations or businesses that
11 involve sales or transfers of tangible personal property only as
12 inconsequential elements.

13 2. Services rendered in addition to selling tangible personal
14 property at retail.

15 3. Sales of warranty or service contracts. The storage, use or
16 consumption of tangible personal property provided under the conditions of
17 such contracts is subject to tax under section 42-5156.

18 4. Sales of tangible personal property by any nonprofit
19 organization organized and operated exclusively for charitable purposes
20 and recognized by the United States internal revenue service under section
21 501(c)(3) of the internal revenue code.

22 5. Sales to persons engaged in business classified under the
23 restaurant classification of articles used by human beings for food, drink
24 or condiment, whether simple, mixed or compounded.

25 6. Business activity that is properly included in any other
26 business classification that is taxable under this article.

27 7. The sale of stocks and bonds.

28 8. Drugs and medical oxygen, including delivery hose, mask or tent,
29 regulator and tank, if prescribed by a member of the medical, dental or
30 veterinarian profession who is licensed by law to administer such
31 substances.

32 9. Prosthetic appliances as defined in section 23-501 and as
33 prescribed or recommended by a health professional who is licensed
34 pursuant to title 32, chapter 7, 8, 11, 13, 14, 15, 16, 17 or 29.

35 10. Insulin, insulin syringes and glucose test strips.

36 11. Prescription eyeglasses or contact lenses.

37 12. Hearing aids as defined in section 36-1901.

38 13. Durable medical equipment that has a centers for medicare and
39 medicaid services common procedure code, is designated reimbursable by
40 medicare, is prescribed by a person who is licensed under title 32,
41 chapter 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is
42 primarily and customarily used to serve a medical purpose, is generally
43 not useful to a person in the absence of illness or injury and is
44 appropriate for use in the home.

1 14. 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 out of this state.

4 15. Food, as provided in and subject to the conditions of article 3
5 of this chapter and sections 42-5074 and 42-6017.

6 16. Items purchased with United States department of agriculture
7 coupons issued under the supplemental nutrition assistance program
8 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;
9 7 United States Code sections 2011 through 2036b) by the United States
10 department of agriculture food and nutrition service or food instruments
11 issued under section 17 of the child nutrition act (P.L. 95-627; 92 Stat.
12 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States Code
13 section 1786).

14 17. Textbooks by any bookstore that are required by any state
15 university or community college.

16 18. Food and drink to a person that is engaged in a business that
17 is classified under the restaurant classification and that provides such
18 food and drink without monetary charge to its employees for their own
19 consumption on the premises during the employees' hours of employment.

20 19. Articles of food, drink or condiment and accessory tangible
21 personal property to a school district or charter school if such articles
22 and accessory tangible personal property are to be prepared and served to
23 persons for consumption on the premises of a public school within the
24 district or on the premises of the charter school during school hours.

25 20. Lottery tickets or shares pursuant to title 5, chapter 5.1,
26 article 1.

27 21. The sale of cash equivalents and the sale of precious metal
28 bullion and monetized bullion to the ultimate consumer, but the sale of
29 coins or other forms of money for manufacture into jewelry or works of art
30 is subject to the tax and the gross proceeds of sales or gross income
31 derived from the redemption of any cash equivalent by the holder as a
32 means of payment for goods or services that are taxable under this article
33 is subject to the tax. For the purposes of this paragraph:

34 (a) "Cash equivalents" means items or intangibles, whether or not
35 negotiable, that are sold to one or more persons, through which a value
36 denominated in money is purchased in advance and may be redeemed in full
37 or in part for tangible personal property, intangibles or services. Cash
38 equivalents include gift cards, stored value cards, gift certificates,
39 vouchers, traveler's checks, money orders or other instruments, orders or
40 electronic mechanisms, such as an electronic code, personal identification
41 number or digital payment mechanism, or any other prepaid intangible right
42 to acquire tangible personal property, intangibles or services in the
43 future, whether from the seller of the cash equivalent or from another
44 person. Cash equivalents do not include either of the following:

1 (i) Items or intangibles that are sold to one or more persons,
2 through which a value is not denominated in money.

3 (ii) Prepaid calling cards or prepaid authorization numbers for
4 telecommunications services made taxable by subsection P of this section.

5 (b) "Monetized bullion" means coins and other forms of money that
6 are manufactured from gold, silver or other metals and that have been or
7 are used as a medium of exchange in this or another state, the United
8 States or a foreign nation.

9 (c) "Precious metal bullion" means precious metal, including gold,
10 silver, platinum, rhodium and palladium, that has been smelted or refined
11 so that its value depends on its contents and not on its form.

12 22. Motor vehicle fuel and use fuel that are subject to a tax
13 imposed under title 28, chapter 16, article 1, sales of use fuel to a
14 holder of a valid single trip use fuel tax permit issued under section
15 28-5739, sales of aviation fuel that are subject to the tax imposed under
16 section 28-8344 and sales of jet fuel that are subject to the tax imposed
17 under article 8 of this chapter.

18 23. Tangible personal property sold to a person engaged in the
19 business of leasing or renting such property under the personal property
20 rental classification if such property is to be leased or rented by such
21 person.

22 24. Tangible personal property sold in interstate or foreign
23 commerce if prohibited from being so taxed by the constitution of the
24 United States or the constitution of this state.

25 25. Tangible personal property sold to:

26 (a) A qualifying hospital as defined in section 42-5001.

27 (b) A qualifying health care organization as defined in section
28 42-5001 if the tangible personal property is used by the organization
29 solely to provide health and medical related educational and charitable
30 services.

31 (c) A qualifying health care organization as defined in section
32 42-5001 if the organization is dedicated to providing educational,
33 therapeutic, rehabilitative and family medical education training for
34 blind and visually impaired children and children with multiple
35 disabilities from the time of birth to age twenty-one.

36 (d) A qualifying community health center as defined in section
37 42-5001.

38 (e) A nonprofit charitable organization that has qualified under
39 section 501(c)(3) of the internal revenue code and that regularly serves
40 meals to the needy and indigent on a continuing basis at no cost.

41 (f) For taxable periods beginning from and after June 30, 2001, a
42 nonprofit charitable organization that has qualified under section
43 501(c)(3) of the internal revenue code and that provides residential
44 apartment housing for low-income persons over sixty-two years of age in a
45 facility that qualifies for a federal housing subsidy, if the tangible

1 personal property is used by the organization solely to provide
2 residential apartment housing for low-income persons over sixty-two years
3 of age in a facility that qualifies for a federal housing subsidy.

4 (g) A qualifying health sciences educational institution as defined
5 in section 42-5001.

6 (h) Any person representing or working on behalf of another person
7 described in subdivisions (a) through (g) of this paragraph if the
8 tangible personal property is incorporated or fabricated into a project
9 described in section 42-5075, subsection 0.

10 26. Magazines or other periodicals or other publications by this
11 state to encourage tourist travel.

12 27. Tangible personal property sold to:

13 (a) A person that is subject to tax under this article by reason of
14 being engaged in business classified under section 42-5075 or to a
15 subcontractor working under the control of a person engaged in business
16 classified under section 42-5075, if the property so sold is any of the
17 following:

18 (i) Incorporated or fabricated by the person into any real
19 property, structure, project, development or improvement as part of the
20 business.

21 (ii) Incorporated or fabricated by the person into any project
22 described in section 42-5075, subsection 0.

23 (iii) Used in environmental response or remediation activities
24 under section 42-5075, subsection B, paragraph 6.

25 (b) A person that is not subject to tax under section 42-5075 and
26 that has been provided a copy of a certificate under section 42-5009,
27 subsection L, if the property so sold is incorporated or fabricated by the
28 person into the real property, structure, project, development or
29 improvement described in the certificate.

30 28. The sale of a motor vehicle to a nonresident of this state if
31 the purchaser's state of residence does not allow a corresponding use tax
32 exemption to the tax imposed by article 1 of this chapter and if the
33 nonresident has secured a special ninety day nonresident registration
34 permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01.

35 29. Tangible personal property purchased in this state by a
36 nonprofit charitable organization that has qualified under section
37 501(c)(3) of the United States internal revenue code and that engages in
38 and uses such property exclusively in programs for persons with mental or
39 physical disabilities if the programs are exclusively for training, job
40 placement, rehabilitation or testing.

41 30. Sales of tangible personal property by a nonprofit organization
42 that is exempt from taxation under section 501(c)(3), 501(c)(4) or
43 501(c)(6) of the internal revenue code if the organization is associated
44 with a major league baseball team or a national touring professional
45 golfing association and no part of the organization's net earnings inures

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

9 31. Sales of commodities, as defined by title 7 United States Code
10 section 2, that are consigned for resale in a warehouse in this state in
11 or from which the commodity is deliverable on a contract for future
12 delivery subject to the rules of a commodity market regulated by the
13 United States commodity futures trading commission.

14 32. Sales of tangible personal property by a nonprofit organization
15 that is exempt from taxation under section 501(c)(3), 501(c)(4),
16 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code if the
17 organization sponsors or operates a rodeo featuring primarily farm and
18 ranch animals and no part of the organization's net earnings inures to the
19 benefit of any private shareholder or individual.

20 33. Sales of propagative materials to persons who use those items
21 to commercially produce agricultural, horticultural, viticultural or
22 floricultural crops in this state. For the purposes of this paragraph,
23 "propagative materials":

24 (a) Includes seeds, seedlings, roots, bulbs, liners, transplants,
25 cuttings, soil and plant additives, agricultural minerals, auxiliary soil
26 and plant substances, micronutrients, fertilizers, insecticides,
27 herbicides, fungicides, soil fumigants, desiccants, rodenticides,
28 adjuvants, plant nutrients and plant growth regulators.

29 (b) Except for use in commercially producing industrial hemp as
30 defined in section 3-311, does not include any propagative materials used
31 in producing any part, including seeds, of any plant of the genus
32 cannabis.

33 34. Machinery, equipment, technology or related supplies that are
34 only useful to assist a person with a physical disability as defined in
35 section 46-191 or a person who has a developmental disability as defined
36 in section 36-551 or has a head injury as defined in section 41-3201 to be
37 more independent and functional.

38 35. Sales of natural gas or liquefied petroleum gas used to propel
39 a motor vehicle.

40 36. Paper machine clothing, such as forming fabrics and dryer
41 felts, sold to a paper manufacturer and directly used or consumed in paper
42 manufacturing.

43 37. Petroleum, coke, natural gas, virgin fuel oil and electricity
44 sold to a qualified environmental technology manufacturer, producer or
45 processor as defined in section 41-1514.02 and directly used or consumed

1 in generating or providing on-site power or energy solely for
2 environmental technology manufacturing, producing or processing or
3 environmental protection. This paragraph applies for twenty full
4 consecutive calendar or fiscal years ~~from~~ AFTER the date the first paper
5 manufacturing machine is placed in service. In the case of an
6 environmental technology manufacturer, producer or processor that does not
7 manufacture paper, the time period begins with the date the first
8 manufacturing, processing or production equipment is placed in service.

9 38. Sales of liquid, solid or gaseous chemicals used in
10 manufacturing, processing, fabricating, mining, refining, metallurgical
11 operations, research and development and, beginning on January 1, 1999,
12 printing, if using or consuming the chemicals, alone or as part of an
13 integrated system of chemicals, involves direct contact with the materials
14 from which the product is produced for the purpose of causing or allowing
15 a chemical or physical change to occur in the materials as part of the
16 production process. This paragraph does not include chemicals that are
17 used or consumed in activities such as packaging, storage or
18 transportation but does not affect any deduction for such chemicals that
19 is otherwise provided by this section. For the purposes of this
20 paragraph, "printing" means a commercial printing operation and includes
21 job printing, engraving, embossing, copying and bookbinding.

22 39. Through December 31, 1994, personal property liquidation
23 transactions, conducted by a personal property liquidator. From and after
24 December 31, 1994, personal property liquidation transactions shall be
25 taxable under this section provided that nothing in this subsection shall
26 be construed to authorize the taxation of casual activities or
27 transactions under this chapter. For the purposes of this paragraph:

28 (a) "Personal property liquidation transaction" means a sale of
29 personal property made by a personal property liquidator acting solely on
30 behalf of the owner of the personal property sold at the dwelling of the
31 owner or on the death of any owner, on behalf of the surviving spouse, if
32 any, any devisee or heir or the personal representative of the estate of
33 the deceased, if one has been appointed.

34 (b) "Personal property liquidator" means a person who is retained
35 to conduct a sale in a personal property liquidation transaction.

36 40. Sales of food, drink and condiment for consumption within the
37 premises of any prison, jail or other institution under the jurisdiction
38 of the state department of corrections, the department of public safety,
39 the department of juvenile corrections or a county sheriff.

40 41. A motor vehicle and any repair and replacement parts and
41 tangible personal property becoming a part of such motor vehicle sold to a
42 motor carrier that is subject to a fee prescribed in title 28, chapter 16,
43 article 4 and that is engaged in the business of leasing or renting such
44 property.

1 42. Sales of:

2 (a) Livestock and poultry to persons engaging in the businesses of
3 farming, ranching or producing livestock or poultry.

4 (b) Livestock and poultry feed, salts, vitamins and other additives
5 for livestock or poultry consumption that are sold to persons for use or
6 consumption by their own livestock or poultry, for use or consumption in
7 the businesses of farming, ranching and producing or feeding livestock,
8 poultry, or livestock or poultry products or for use or consumption in
9 noncommercial boarding of livestock. For the purposes of this paragraph,
10 "poultry" includes ratites.

11 43. Sales of implants used as growth promotants and injectable
12 medicines, not already exempt under paragraph 8 of this subsection, for
13 livestock or poultry owned by or in possession of persons that are engaged
14 in producing livestock, poultry, or livestock or poultry products or that
15 are engaged in feeding livestock or poultry commercially. For the
16 purposes of this paragraph, "poultry" includes ratites.

17 44. Sales of motor vehicles at auction to nonresidents of this
18 state for use outside this state if the vehicles are shipped or delivered
19 out of this state, regardless of where title to the motor vehicles passes
20 or its free on board point.

21 45. Tangible personal property sold to a person engaged in business
22 and subject to tax under the transient lodging classification if the
23 tangible personal property is a personal hygiene item or articles used by
24 human beings for food, drink or condiment, except alcoholic beverages,
25 that are furnished without additional charge to and intended to be
26 consumed by the transient during the transient's occupancy.

27 46. Sales of alternative fuel, as defined in section 1-215, to a
28 used oil fuel burner who has received a permit to burn used oil or used
29 oil fuel under section 49-426 or 49-480.

30 47. Sales of materials that are purchased by or for publicly funded
31 libraries, including school district libraries, charter school libraries,
32 community college libraries, state university libraries or federal, state,
33 county or municipal libraries, for use by the public as follows:

34 (a) Printed or photographic materials, beginning August 7, 1985.

35 (b) Electronic or digital media materials, beginning July 17, 1994.

36 48. Tangible personal property sold to a commercial airline and
37 consisting of food, beverages and condiments and accessories used for
38 serving the food and beverages, if those items are to be provided without
39 additional charge to passengers for consumption in flight. For the
40 purposes of this paragraph, "commercial airline" means a person holding a
41 federal certificate of public convenience and necessity or foreign air
42 carrier permit for air transportation to transport persons, property or
43 United States mail in intrastate, interstate or foreign commerce.

1 49. Sales of alternative fuel vehicles if the vehicle was
2 manufactured as a diesel fuel vehicle and converted to operate on
3 alternative fuel and equipment that is installed in a conventional diesel
4 fuel motor vehicle to convert the vehicle to operate on an alternative
5 fuel, as defined in section 1-215.

6 50. Sales of any spirituous, vinous or malt liquor by a person that
7 is licensed in this state as a wholesaler by the department of liquor
8 licenses and control pursuant to title 4, chapter 2, article 1.

9 51. Sales of tangible personal property to be incorporated or
10 installed as part of environmental response or remediation activities
11 under section 42-5075, subsection B, paragraph 6.

12 52. Sales of tangible personal property by a nonprofit organization
13 that is exempt from taxation under section 501(c)(6) of the internal
14 revenue code if the organization produces, organizes or promotes cultural
15 or civic related festivals or events and no part of the organization's net
16 earnings inures to the benefit of any private shareholder or individual.

17 53. Application services that are designed to assess or test
18 student learning or to promote curriculum design or enhancement purchased
19 by or for any school district, charter school, community college or state
20 university. For the purposes of this paragraph:

21 (a) "Application services" means software applications provided
22 remotely using hypertext transfer protocol or another network protocol.

23 (b) "Curriculum design or enhancement" means planning, implementing
24 or reporting on courses of study, lessons, assignments or other learning
25 activities.

26 54. Sales of motor vehicle fuel and use fuel to a qualified
27 business under section 41-1516 for off-road use in harvesting, processing
28 or transporting qualifying forest products removed from qualifying
29 projects as defined in section 41-1516.

30 55. Sales of repair parts installed in equipment used directly by a
31 qualified business under section 41-1516 in harvesting, processing or
32 transporting qualifying forest products removed from qualifying projects
33 as defined in section 41-1516.

34 56. Sales or other transfers of renewable energy credits or any
35 other unit created to track energy derived from renewable energy
36 resources. For the purposes of this paragraph, "renewable energy credit"
37 means a unit created administratively by the corporation commission or
38 governing body of a public power utility to track kilowatt hours of
39 electricity derived from a renewable energy resource or the kilowatt hour
40 equivalent of conventional energy resources displaced by distributed
41 renewable energy resources.

42 57. Orthodontic devices dispensed by a dental professional who is
43 licensed under title 32, chapter 11 to a patient as part of the practice
44 of dentistry.

1 58. Sales of tangible personal property incorporated or fabricated
2 into a project described in section 42-5075, subsection 0, that is located
3 within the exterior boundaries of an Indian reservation for which the
4 owner, as defined in section 42-5075, of the project is an Indian tribe or
5 an affiliated Indian. For the purposes of this paragraph:

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

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

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

18 59. Sales of works of fine art, as defined in section 44-1771, at
19 an art auction or gallery in this state to nonresidents of this state for
20 use outside this state if the vendor ships or delivers the work of fine
21 art to a destination outside this state.

22 60. Sales of coal.

23 61. Sales of tangible personal property by a marketplace seller
24 that are facilitated by a marketplace facilitator in which the marketplace
25 facilitator has remitted or will remit the applicable tax to the
26 department pursuant to section 42-5014.

27 B. In addition to the deductions from the tax base prescribed by
28 subsection A of this section, the gross proceeds of sales or gross income
29 derived from sales of the following categories of tangible personal
30 property shall be deducted from the tax base:

31 1. Machinery, or equipment, used directly in manufacturing,
32 processing, fabricating, job printing, refining or metallurgical
33 operations. The terms "manufacturing", "processing", "fabricating", "job
34 printing", "refining" and "metallurgical" as used in this paragraph refer
35 to and include those operations commonly understood within their ordinary
36 meaning. "Metallurgical operations" includes leaching, milling,
37 precipitating, smelting and refining.

38 2. Mining machinery, or equipment, used directly in the process of
39 extracting ores or minerals from the earth for commercial purposes,
40 including equipment required to prepare the materials for extraction and
41 handling, loading or transporting such extracted material to the surface.
42 "Mining" includes underground, surface and open pit operations for
43 extracting ores and minerals.

1 3. Tangible personal property sold to persons engaged in business
2 classified under the telecommunications classification, including a person
3 representing or working on behalf of such a person in a manner described
4 in section 42-5075, subsection 0, and consisting of central office
5 switching equipment, switchboards, private branch exchange equipment,
6 microwave radio equipment and carrier equipment including optical fiber,
7 coaxial cable and other transmission media that are components of carrier
8 systems.

9 4. Machinery, equipment or transmission lines used directly in
10 producing or transmitting electrical power, but not including
11 distribution. Transformers and control equipment used at transmission
12 substation sites constitute equipment used in producing or transmitting
13 electrical power.

14 5. Machinery and equipment used directly for energy storage for
15 later electrical use. For the purposes of this paragraph:

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

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

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

27 6. Neat animals, horses, asses, sheep, ratites, swine or goats used
28 or to be used as breeding or production stock, including sales of
29 breedings or ownership shares in such animals used for breeding or
30 production.

31 7. Pipes or valves four inches in diameter or larger used to
32 transport oil, natural gas, artificial gas, water or coal slurry,
33 including compressor units, regulators, machinery and equipment, fittings,
34 seals and any other part that is used in operating the pipes or valves.

35 8. Aircraft, navigational and communication instruments and other
36 accessories and related equipment sold to:

37 (a) A person:

38 (i) Holding, or exempted by federal law from obtaining, a federal
39 certificate of public convenience and necessity for use as, in conjunction
40 with or becoming part of an aircraft to be used to transport persons for
41 hire in intrastate, interstate or foreign commerce.

42 (ii) That is certificated or licensed under federal aviation
43 administration regulations (14 Code of Federal Regulations part 121 or
44 135) as a scheduled or unscheduled carrier of persons for hire for use as

1 or in conjunction with or becoming part of an aircraft to be used to
2 transport persons for hire in intrastate, interstate or foreign commerce.

3 (iii) Holding a foreign air carrier permit for air transportation
4 for use as or in conjunction with or becoming a part of aircraft to be
5 used to transport persons, property or United States mail in intrastate,
6 interstate or foreign commerce.

7 (iv) Operating an aircraft to transport persons in any manner for
8 compensation or hire, or for use in a fractional ownership program that
9 meets the requirements of federal aviation administration regulations
10 (14 Code of Federal Regulations part 91, subpart K), including as an air
11 carrier, a foreign air carrier or a commercial operator or under a
12 restricted category, within the meaning of 14 Code of Federal Regulations,
13 regardless of whether the operation or aircraft is regulated or certified
14 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code
15 of Federal Regulations.

16 (v) That will lease or otherwise transfer operational control,
17 within the meaning of federal aviation administration operations
18 specification A008, or its successor, of the aircraft, instruments or
19 accessories to one or more persons described in item (i), (ii), (iii) or
20 (iv) of this subdivision, subject to section 42-5009, subsection ~~Q~~ P.

21 (b) Any foreign government.

22 (c) Persons who are not residents of this state and who will not
23 use such property in this state other than in removing such property from
24 this state. This subdivision also applies to corporations that are not
25 incorporated in this state, regardless of maintaining a place of business
26 in this state, if the principal corporate office is located outside this
27 state and the property will not be used in this state other than in
28 removing the property from this state.

29 9. Machinery, tools, equipment and related supplies used or
30 consumed directly in repairing, remodeling or maintaining aircraft,
31 aircraft engines or aircraft component parts by or on behalf of a
32 certificated or licensed carrier of persons or property.

33 10. Railroad rolling stock, rails, ties and signal control
34 equipment used directly to transport persons or property.

35 11. Machinery or equipment used directly to drill for oil or gas or
36 used directly in the process of extracting oil or gas from the earth for
37 commercial purposes.

38 12. Buses or other urban mass transit vehicles that are used
39 directly to transport persons or property for hire or pursuant to a
40 governmentally adopted and controlled urban mass transportation program
41 and that are sold to bus companies holding a federal certificate of
42 convenience and necessity or operated by any city, town or other
43 governmental entity or by any person contracting with such governmental
44 entity as part of a governmentally adopted and controlled program to
45 provide urban mass transportation.

1 13. Groundwater measuring devices required under section 45-604.

2 14. New machinery and equipment consisting of agricultural
3 aircraft, tractors, tractor-drawn implements, self-powered implements,
4 machinery and equipment necessary for extracting milk, and machinery and
5 equipment necessary for cooling milk and livestock, and drip irrigation
6 lines not already exempt under paragraph 7 of this subsection and that are
7 used for commercial production of agricultural, horticultural,
8 viticultural and floricultural crops and products in this state. For the
9 purposes of this paragraph:

10 (a) "New machinery and equipment" means machinery and equipment
11 that have never been sold at retail except pursuant to leases or rentals
12 that do not total two years or more.

13 (b) "Self-powered implements" includes machinery and equipment that
14 are electric-powered.

15 15. Machinery or equipment used in research and development. For
16 the purposes of this paragraph, "research and development" means basic and
17 applied research in the sciences and engineering, and designing,
18 developing or testing prototypes, processes or new products, including
19 research and development of computer software that is embedded in or an
20 integral part of the prototype or new product or that is required for
21 machinery or equipment otherwise exempt under this section to function
22 effectively. Research and development do not include manufacturing
23 quality control, routine consumer product testing, market research, sales
24 promotion, sales service, research in social sciences or psychology,
25 computer software research that is not included in the definition of
26 research and development, or other nontechnological activities or
27 technical services.

28 16. Tangible personal property that is used by either of the
29 following to receive, store, convert, produce, generate, decode, encode,
30 control or transmit telecommunications information:

31 (a) Any direct broadcast satellite television or data transmission
32 service that operates pursuant to 47 Code of Federal Regulations part 25.

33 (b) Any satellite television or data transmission facility, if both
34 of the following conditions are met:

35 (i) Over two-thirds of the transmissions, measured in megabytes,
36 transmitted by the facility during the test period were transmitted to or
37 on behalf of one or more direct broadcast satellite television or data
38 transmission services that operate pursuant to 47 Code of Federal
39 Regulations part 25.

40 (ii) Over two-thirds of the transmissions, measured in megabytes,
41 transmitted by or on behalf of those direct broadcast television or data
42 transmission services during the test period were transmitted by the
43 facility to or on behalf of those services.

44 For the purposes of subdivision (b) of this paragraph, "test period" means
45 the three hundred sixty-five day period beginning on the later of the date

1 on which the tangible personal property is purchased or the date on which
2 the direct broadcast satellite television or data transmission service
3 first transmits information to its customers.

4 17. Clean rooms that are used for manufacturing, processing,
5 fabrication or research and development, as defined in paragraph 15 of
6 this subsection, of semiconductor products. For the purposes of this
7 paragraph, "clean room" means all property that comprises or creates an
8 environment where humidity, temperature, particulate matter and
9 contamination are precisely controlled within specified parameters,
10 without regard to whether the property is actually contained within that
11 environment or whether any of the property is affixed to or incorporated
12 into real property. Clean room:

13 (a) Includes the integrated systems, fixtures, piping, movable
14 partitions, lighting and all property that is necessary or adapted to
15 reduce contamination or to control airflow, temperature, humidity,
16 chemical purity or other environmental conditions or manufacturing
17 tolerances, as well as the production machinery and equipment operating in
18 conjunction with the clean room environment.

19 (b) Does not include the building or other permanent, nonremovable
20 component of the building that houses the clean room environment.

21 18. Machinery and equipment used directly in feeding poultry,
22 environmentally controlling housing for poultry, moving eggs within a
23 production and packaging facility or sorting or cooling eggs. This
24 exemption does not apply to vehicles used for transporting eggs.

25 19. Machinery or equipment, including related structural components
26 and containment structures, that is employed in connection with
27 manufacturing, processing, fabricating, job printing, refining, mining,
28 natural gas pipelines, metallurgical operations, telecommunications,
29 producing or transmitting electricity or research and development and that
30 is used directly to meet or exceed rules or regulations adopted by the
31 federal energy regulatory commission, the United States environmental
32 protection agency, the United States nuclear regulatory commission, the
33 Arizona department of environmental quality or a political subdivision of
34 this state to prevent, monitor, control or reduce land, water or air
35 pollution.

36 20. Machinery and equipment that are sold to a person engaged in
37 commercially producing livestock, livestock products or agricultural,
38 horticultural, viticultural or floricultural crops or products in this
39 state, including a person representing or working on behalf of such a
40 person in a manner described in section 42-5075, subsection 0, if the
41 machinery and equipment are used directly and primarily to prevent,
42 monitor, control or reduce air, water or land pollution.

1 21. Machinery or equipment that enables a television station to
2 originate and broadcast or to receive and broadcast digital television
3 signals and that was purchased to facilitate compliance with the
4 telecommunications act of 1996 (P.L. 104-104; 110 Stat. 56; 47 United
5 States Code section 336) and the federal communications commission order
6 issued April 21, 1997 (47 Code of Federal Regulations part 73). This
7 paragraph does not exempt any of the following:

8 (a) Repair or replacement parts purchased for the machinery or
9 equipment described in this paragraph.

10 (b) Machinery or equipment purchased to replace machinery or
11 equipment for which an exemption was previously claimed and taken under
12 this paragraph.

13 (c) Any machinery or equipment purchased after the television
14 station has ceased analog broadcasting, or purchased after November 1,
15 2009, whichever occurs first.

16 22. Qualifying equipment that is purchased from and after June 30,
17 2004 through June 30, 2024 by a qualified business under section 41-1516
18 for harvesting or processing qualifying forest products removed from
19 qualifying projects as defined in section 41-1516. To qualify for this
20 deduction, the qualified business at the time of purchase must present its
21 certification approved by the department.

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

30 C. The deductions provided by subsection B of this section do not
31 include sales of:

32 1. Expendable materials. For the purposes of this paragraph,
33 expendable materials do not include any of the categories of tangible
34 personal property specified in subsection B of this section regardless of
35 the cost or useful life of that property.

36 2. Janitorial equipment and hand tools.

37 3. Office equipment, furniture and supplies.

38 4. Tangible personal property used in selling or distributing
39 activities, other than the telecommunications transmissions described in
40 subsection B, paragraph 16 of this section.

41 5. Motor vehicles required to be licensed by this state, except
42 buses or other urban mass transit vehicles specifically exempted pursuant
43 to subsection B, paragraph 12 of this section, without regard to the use
44 of such motor vehicles.

1 6. Shops, buildings, docks, depots and all other materials of
2 whatever kind or character not specifically included as exempt.

3 7. Motors and pumps used in drip irrigation systems.

4 8. Machinery and equipment or other tangible personal property used
5 by a contractor in performing a contract.

6 D. In addition to the deductions from the tax base prescribed by
7 subsection A of this section, there shall be deducted from the tax base
8 the gross proceeds of sales or gross income derived from sales of
9 machinery, equipment, materials and other tangible personal property used
10 directly and predominantly to construct a qualified environmental
11 technology manufacturing, producing or processing facility as described in
12 section 41-1514.02. This subsection applies for ten full consecutive
13 calendar or fiscal years after the start of initial construction.

14 E. In computing the tax base, gross proceeds of sales or gross
15 income from retail sales of heavy trucks and trailers does not include any
16 amount attributable to federal excise taxes imposed by 26 United States
17 Code section 4051.

18 F. If a person is engaged in an occupation or business to which
19 subsection A of this section applies, the person's books shall be kept so
20 as to show separately the gross proceeds of sales of tangible personal
21 property and the gross income from sales of services, and if not so kept
22 the tax shall be imposed on the total of the person's gross proceeds of
23 sales of tangible personal property and gross income from services.

24 G. If a person is engaged in the business of selling tangible
25 personal property at both wholesale and retail, the tax under this section
26 applies only to the gross proceeds of the sales made other than at
27 wholesale if the person's books are kept so as to show separately the
28 gross proceeds of sales of each class, and if the books are not so kept,
29 the tax under this section applies to the gross proceeds of every sale so
30 made.

31 H. A person who engages in manufacturing, baling, crating, boxing,
32 barreling, canning, bottling, sacking, preserving, processing or otherwise
33 preparing for sale or commercial use any livestock, agricultural or
34 horticultural product or any other product, article, substance or
35 commodity and who sells the product of such business at retail in this
36 state is deemed, as to such sales, to be engaged in business classified
37 under the retail classification. This subsection does not apply to:

38 1. Agricultural producers who are owners, proprietors or tenants of
39 agricultural lands, orchards, farms or gardens where agricultural products
40 are grown, raised or prepared for market and who are marketing their own
41 agricultural products.

42 2. Businesses classified under the:

43 (a) Transporting classification.

44 (b) Utilities classification.

45 (c) Telecommunications classification.

- 1 (d) Pipeline classification.
- 2 (e) Private car line classification.
- 3 (f) Publication classification.
- 4 (g) Job printing classification.
- 5 (h) Prime contracting classification.
- 6 (i) Restaurant classification.

7 I. The gross proceeds of sales or gross income derived from the
8 following shall be deducted from the tax base for the retail
9 classification:

10 1. Sales made directly to the United States government or its
11 departments or agencies by a manufacturer, modifier, assembler or
12 repairer.

13 2. Sales made directly to a manufacturer, modifier, assembler or
14 repairer if such sales are of any ingredient or component part of products
15 sold directly to the United States government or its departments or
16 agencies by the manufacturer, modifier, assembler or repairer.

17 3. Overhead materials or other tangible personal property that is
18 used in performing a contract between the United States government and a
19 manufacturer, modifier, assembler or repairer, including property used in
20 performing a subcontract with a government contractor who is a
21 manufacturer, modifier, assembler or repairer, to which title passes to
22 the government under the terms of the contract or subcontract.

23 4. Sales of overhead materials or other tangible personal property
24 to a manufacturer, modifier, assembler or repairer if the gross proceeds
25 of sales or gross income derived from the property by the manufacturer,
26 modifier, assembler or repairer will be exempt under paragraph 3 of this
27 subsection.

28 J. There shall be deducted from the tax base fifty percent of the
29 gross proceeds or gross income from any sale of tangible personal property
30 made directly to the United States government or its departments or
31 agencies that is not deducted under subsection I of this section.

32 K. The department shall require every person claiming a deduction
33 provided by subsection I or J of this section to file on forms prescribed
34 by the department at such times as the department directs a sworn
35 statement disclosing the name of the purchaser and the exact amount of
36 sales on which the exclusion or deduction is claimed.

37 L. In computing the tax base, gross proceeds of sales or gross
38 income does not include:

39 1. A manufacturer's cash rebate on the sales price of a motor
40 vehicle if the buyer assigns the buyer's right in the rebate to the
41 retailer.

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

43 M. There shall be deducted from the tax base the amount received
44 from sales of solar energy devices. The retailer shall register with the
45 department as a solar energy retailer. By registering, the retailer

1 acknowledges that it will make its books and records relating to sales of
2 solar energy devices available to the department for examination.

3 N. In computing the tax base in the case of the sale or transfer of
4 wireless telecommunications equipment as an inducement to a customer to
5 enter into or continue a contract for telecommunications services that are
6 taxable under section 42-5064, gross proceeds of sales or gross income
7 does not include any sales commissions or other compensation received by
8 the retailer as a result of the customer entering into or continuing a
9 contract for the telecommunications services.

10 O. For the purposes of this section, a sale of wireless
11 telecommunications equipment to a person who holds the equipment for sale
12 or transfer to a customer as an inducement to enter into or continue a
13 contract for telecommunications services that are taxable under section
14 42-5064 is considered to be a sale for resale in the regular course of
15 business.

16 P. Retail sales of prepaid calling cards or prepaid authorization
17 numbers for telecommunications services, including sales of
18 reauthorization of a prepaid card or authorization number, are subject to
19 tax under this section.

20 Q. For the purposes of this section, the diversion of gas from a
21 pipeline by a person engaged in the business of:

22 1. Operating a natural or artificial gas pipeline, for the sole
23 purpose of fueling compressor equipment to pressurize the pipeline, is not
24 a sale of the gas to the operator of the pipeline.

25 2. Converting natural gas into liquefied natural gas, for the sole
26 purpose of fueling compressor equipment used in the conversion process, is
27 not a sale of gas to the operator of the compressor equipment.

28 R. If a seller is entitled to a deduction pursuant to subsection B,
29 paragraph 16, subdivision (b) of this section, the department may require
30 the purchaser to establish that the requirements of subsection B,
31 paragraph 16, subdivision (b) of this section have been satisfied. If the
32 purchaser cannot establish that the requirements of subsection B,
33 paragraph 16, subdivision (b) of this section have been satisfied, the
34 purchaser is liable in an amount equal to any tax, penalty and interest
35 that the seller would have been required to pay under article 1 of this
36 chapter if the seller had not made a deduction pursuant to subsection B,
37 paragraph 16, subdivision (b) of this section. Payment of the amount
38 under this subsection exempts the purchaser from liability for any tax
39 imposed under article 4 of this chapter and related to the tangible
40 personal property purchased. The amount shall be treated as transaction
41 privilege tax to the purchaser and as tax revenues collected from the
42 seller to designate the distribution base pursuant to section 42-5029.

43 S. For the purposes of section 42-5032.01, the department shall
44 separately account for revenues collected under the retail classification
45 from businesses selling tangible personal property at retail:

1 1. On the premises of a multipurpose facility that is owned, leased
2 or operated by the tourism and sports authority pursuant to title 5,
3 chapter 8.

4 2. At professional football contests that are held in a stadium
5 located on the campus of an institution under the jurisdiction of the
6 Arizona board of regents.

7 T. In computing the tax base for the sale of a motor vehicle to a
8 nonresident of this state, if the purchaser's state of residence allows a
9 corresponding use tax exemption to the tax imposed by article 1 of this
10 chapter and the rate of the tax in the purchaser's state of residence is
11 lower than the rate prescribed in article 1 of this chapter or if the
12 purchaser's state of residence does not impose an excise tax, and the
13 nonresident has secured a special ninety day nonresident registration
14 permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01,
15 there shall be deducted from the tax base a portion of the gross proceeds
16 or gross income from the sale so that the amount of transaction privilege
17 tax that is paid in this state is equal to the excise tax that is imposed
18 by the purchaser's state of residence on the nonexempt sale or use of the
19 motor vehicle.

20 U. For the purposes of this section:

21 1. "Agricultural aircraft" means an aircraft that is built for
22 agricultural use for the aerial application of pesticides or fertilizer or
23 for aerial seeding.

24 2. "Aircraft" includes:

25 (a) An airplane flight simulator that is approved by the federal
26 aviation administration for use as a phase II or higher flight simulator
27 under appendix H, 14 Code of Federal Regulations part 121.

28 (b) Tangible personal property that is permanently affixed or
29 attached as a component part of an aircraft that is owned or operated by a
30 certificated or licensed carrier of persons or property.

31 3. "Other accessories and related equipment" includes aircraft
32 accessories and equipment such as ground service equipment that physically
33 contact aircraft at some point during the overall carrier operation.

34 4. "Selling at retail" means a sale for any purpose other than for
35 resale in the regular course of business in the form of tangible personal
36 property, but transfer of possession, lease and rental as used in the
37 definition of sale mean only such transactions as are found on
38 investigation to be in lieu of sales as defined without the words lease or
39 rental.

40 V. For the purposes of subsection I of this section:

41 1. "Assembler" means a person who unites or combines products,
42 wares or articles of manufacture so as to produce a change in form or
43 substance without changing or altering the component parts.

1 2. "Manufacturer" means a person who is principally engaged in
2 fabricating, producing or manufacturing products, wares or articles for
3 use from raw or prepared materials, imparting to those materials new
4 forms, qualities, properties and combinations.

5 3. "Modifier" means a person who reworks, changes or adds to
6 products, wares or articles of manufacture.

7 4. "Overhead materials" means tangible personal property, the gross
8 proceeds of sales or gross income derived from that would otherwise be
9 included in the retail classification, and that are used or consumed in
10 performing a contract, the cost of which is charged to an overhead expense
11 account and allocated to various contracts based on generally accepted
12 accounting principles and consistent with government contract accounting
13 standards.

14 5. "Repairer" means a person who restores or renews products, wares
15 or articles of manufacture.

16 6. "Subcontract" means an agreement between a contractor and any
17 person who is not an employee of the contractor for furnishing supplies or
18 services that, in whole or in part, are necessary to perform one or more
19 government contracts, or under which any portion of the contractor's
20 obligation under one or more government contracts is performed, undertaken
21 or assumed and that includes provisions causing title to overhead
22 materials or other tangible personal property used in performing the
23 subcontract to pass to the government or that includes provisions
24 incorporating such title passing clauses in a government contract into the
25 subcontract.

26 Sec. 10. Section 42-5070, Arizona Revised Statutes, is amended to
27 read:

28 42-5070. Transient lodging classification; definition

29 A. The transient lodging classification is comprised of the
30 business of operating, for occupancy by transients, a hotel or motel,
31 including an inn, tourist home or house, dude ranch, resort, campground,
32 studio or bachelor hotel, lodging house, rooming house, apartment house,
33 dormitory, public or private club, mobile home or house trailer at a fixed
34 location or other similar structure, and also including a space, lot or
35 slab that is occupied or intended or designed for occupancy by transients
36 in a mobile home or house trailer furnished by them for such occupancy.

37 B. The transient lodging classification does not include:

38 1. Operating a convalescent home or facility, home for the aged,
39 hospital, jail, military installation or fraternity or sorority house or
40 operating any structure exclusively by an association, institution,
41 governmental agency or corporation for religious, charitable or
42 educational purposes, if no part of the net earnings of the association,
43 corporation or other entity inures to the benefit of any private
44 shareholder or individual.

1 2. A lease or rental of a mobile home or house trailer at a fixed
2 location or any other similar structure, and also including a space, lot
3 or slab that is occupied or intended or designed for occupancy by
4 transients in a mobile home or house trailer furnished by them for such
5 occupancy for thirty or more consecutive days.

6 3. Leasing or renting four or fewer rooms of an owner-occupied
7 residential home, together with furnishing ~~no~~ NOT more than a breakfast
8 meal, to transient lodgers at ~~no~~ NOT more than a fifty percent average
9 annual occupancy rate.

10 ~~4. The activities of any online lodging marketplace, as defined in~~
11 ~~section 42-5076.~~

12 C. The tax base for the transient lodging classification is the
13 gross proceeds of sales or gross income derived from the business, except
14 that the tax base does not include:

15 ~~1.~~ the gross proceeds of sales or gross income derived from
16 business activity that is properly included in another business
17 classification under this article and that is taxable to the person
18 engaged in that business classification, but the gross proceeds of sales
19 or gross income to be deducted shall not exceed the consideration paid to
20 the person conducting the activity.

21 ~~2. The gross proceeds or gross income received by an online lodging~~
22 ~~operator, as defined in section 42-5076, from any online lodging~~
23 ~~transactions, as defined in section 42-5076, for which the online lodging~~
24 ~~operator has received documentation from a registered online lodging~~
25 ~~marketplace, as defined in section 42-5076, pursuant to section 42-5009,~~
26 ~~subsection P that the online lodging marketplace has remitted or will~~
27 ~~remit the applicable tax to the department pursuant to section 42-5014,~~
28 ~~subsection E.~~

29 D. For the purposes of this section, the tax base for the transient
30 lodging classification does not include gross proceeds of sales or gross
31 income derived from:

32 1. Transactions or activities that are not limited to transients
33 and that would not be taxable if engaged in by a person not subject to tax
34 under this article.

35 2. Transactions or activities that are not limited to transients
36 and that would not be taxable if engaged in by a person subject to
37 taxation under section 42-5062 or 42-5073 due to an exclusion, exemption
38 or deduction.

39 3. Commissions paid to a person that is engaged in transient
40 lodging business subject to taxation under this section by a person
41 providing services or property to the customers of the person engaging in
42 the transient lodging business.

43 E. The department shall separately account for revenues collected
44 under the transient lodging classification for the purposes of section
45 42-5029, subsection D, paragraph 4, subdivision (b).

1 F. For the purposes of this section, "transient" means any person
2 who either at the person's own expense or at the expense of another
3 obtains lodging space or the use of lodging space on a daily or weekly
4 basis, or on any other basis for less than thirty consecutive days.

5 Sec. 11. Section 42-5071, Arizona Revised Statutes, is amended to
6 read:

7 42-5071. Personal property rental classification; definitions

8 A. The personal property rental classification is comprised of the
9 business of leasing or renting tangible personal property for a
10 consideration and includes peer-to-peer car sharing. The tax does not
11 apply to:

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

15 2. Activities engaged in by the Arizona exposition and state fair
16 board or county fair commissions in connection with events sponsored by
17 such entities.

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

26 4. Operating coin-operated washing, drying and dry cleaning
27 machines or coin-operated car washing machines at establishments for the
28 use of such machines.

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

35 6. Leasing or renting aircraft, flight simulators or similar
36 training equipment to students or staff by nonprofit, accredited
37 educational institutions that offer associate or baccalaureate degrees in
38 aviation or aerospace related fields.

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

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

1 9. ~~The~~ Leasing or renting ~~of~~ space to make attachments to utility
2 poles, as follows:

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

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

7 10. Leasing or renting billboards that are designed, intended or
8 used to advertise or inform and that are visible from any street, road or
9 other highway.

10 B. The tax base for the personal property rental classification is
11 the gross proceeds of sales or gross income derived from the business, but
12 the gross proceeds of sales or gross income derived from the following
13 shall be deducted from the tax base:

14 1. Reimbursements by the lessee to the lessor of a motor vehicle
15 for payments by the lessor of the applicable fees and taxes imposed by
16 sections 28-2003, 28-2352, 28-2402, 28-2481 and 28-5801, title 28, chapter
17 15, article 2 and article IX, section 11, Constitution of Arizona, to the
18 extent such amounts are separately identified as such fees and taxes and
19 are billed to the lessee.

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

23 (a) Section 42-5061, subsection A, paragraph 8, 9, 12, 13, 25, 29,
24 49 or 53.

25 (b) Section 42-5061, subsection B, except that a lease or rental of
26 new machinery or equipment is not exempt pursuant to section 42-5061,
27 subsection B, paragraph 14 if the lease is for less than two years.

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

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

30 3. Motor vehicle fuel and use fuel that are subject to a tax
31 imposed under title 28, chapter 16, article 1, sales of use fuel to a
32 holder of a valid single trip use fuel tax permit issued under section
33 28-5739 and sales of aviation fuel that are subject to the tax imposed
34 under section 28-8344.

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

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

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

1 D. In computing the tax base, the gross proceeds of sales or gross
2 income from the lease or rental of a motor vehicle does not include any
3 amount attributable to the car rental surcharge under section 5-839,
4 28-5810 or 48-4234.

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

13 F. The tax base of the personal property rental classification does
14 not include the gross proceeds or gross income received by a shared
15 vehicle owner from a peer-to-peer car sharing program pursuant to section
16 42-5009, subsection ~~R~~ Q.

17 G. For the purposes of this section:

18 1. "Cable operator" has the same meaning prescribed in section
19 9-505 and includes a video service provider.

20 2. "Peer-to-peer car sharing" has the same meaning prescribed in
21 section 28-9601.

22 3. "Peer-to-peer car sharing program" has the same meaning
23 prescribed in section 28-9601.

24 4. "Shared vehicle owner" has the same meaning prescribed in
25 section 28-9601.

26 5. "Utility pole" means any wooden, metal or other pole used for
27 utility purposes and the pole's appurtenances that are attached or
28 authorized for attachment by the person controlling the pole.

29 Sec. 12. Repeal

30 Section 42-5076, Arizona Revised Statutes, is repealed.

31 Sec. 13. Section 42-5159, Arizona Revised Statutes, is amended to
32 read:

33 42-5159. Exemptions

34 A. The tax levied by this article does not apply to the storage,
35 use or consumption in this state of the following described tangible
36 personal property:

37 1. Tangible personal property, sold in this state, the gross
38 receipts from the sale of which are included in the measure of the tax
39 imposed by articles 1 and 2 of this chapter.

40 2. Tangible personal property, the sale or use of which has already
41 been subjected to an excise tax at a rate equal to or exceeding the tax
42 imposed by this article under the laws of another state of the United
43 States. If the excise tax imposed by the other state is at a rate less
44 than the tax imposed by this article, the tax imposed by this article is
45 reduced by the amount of the tax already imposed by the other state.

1 3. Tangible personal property, the storage, use or consumption of
2 which the constitution or laws of the United States prohibit this state
3 from taxing or to the extent that the rate or imposition of tax is
4 unconstitutional under the laws of the United States.

5 4. Tangible personal property that directly enters into and becomes
6 an ingredient or component part of any manufactured, fabricated or
7 processed article, substance or commodity for sale in the regular course
8 of business.

9 5. Motor vehicle fuel and use fuel, the sales, distribution or use
10 of which in this state is subject to the tax imposed under title 28,
11 chapter 16, article 1, use fuel that is sold to or used by a person
12 holding a valid single trip use fuel tax permit issued under
13 section 28-5739, aviation fuel, the sales, distribution or use of which in
14 this state is subject to the tax imposed under section 28-8344, and jet
15 fuel, the sales, distribution or use of which in this state is subject to
16 the tax imposed under article 8 of this chapter.

17 6. Tangible personal property brought into this state by an
18 individual who was a nonresident at the time the property was purchased
19 for storage, use or consumption by the individual if the first actual use
20 or consumption of the property was outside this state, unless the property
21 is used in conducting a business in this state.

22 7. Purchases of implants used as growth promotants and injectable
23 medicines, not already exempt under paragraph 16 of this subsection, for
24 livestock and poultry owned by, or in possession of, persons who are
25 engaged in producing livestock, poultry, or livestock or poultry products,
26 or who are engaged in feeding livestock or poultry commercially. For the
27 purposes of this paragraph, "poultry" includes ratites.

28 8. Purchases of:

29 (a) Livestock and poultry to persons engaging in the businesses of
30 farming, ranching or producing livestock or poultry.

31 (b) Livestock and poultry feed, salts, vitamins and other additives
32 sold to persons for use or consumption in the businesses of farming,
33 ranching and producing or feeding livestock or poultry or for use or
34 consumption in noncommercial boarding of livestock. For the purposes of
35 this paragraph, "poultry" includes ratites.

36 9. Propagative materials for use in commercially producing
37 agricultural, horticultural, viticultural or floricultural crops in this
38 state. For the purposes of this paragraph, "propagative materials":

39 (a) Includes seeds, seedlings, roots, bulbs, liners, transplants,
40 cuttings, soil and plant additives, agricultural minerals, auxiliary soil
41 and plant substances, micronutrients, fertilizers, insecticides,
42 herbicides, fungicides, soil fumigants, desiccants, rodenticides,
43 adjuvants, plant nutrients and plant growth regulators.

44 (b) Except for use in commercially producing industrial hemp as
45 defined in section 3-311, does not include any propagative materials used

1 in producing any part, including seeds, of any plant of the genus
2 cannabis.

3 10. Tangible personal property not exceeding \$200 in any one month
4 purchased by an individual at retail outside the continental limits of the
5 United States for the individual's own personal use and enjoyment.

6 11. Advertising supplements that are intended for sale with
7 newspapers published in this state and that have already been subjected to
8 an excise tax under the laws of another state in the United States that
9 equals or exceeds the tax imposed by this article.

10 12. Materials that are purchased by or for publicly funded
11 libraries, including school district libraries, charter school libraries,
12 community college libraries, state university libraries or federal, state,
13 county or municipal libraries, for use by the public as follows:

14 (a) Printed or photographic materials, beginning August 7, 1985.

15 (b) Electronic or digital media materials, beginning July 17, 1994.

16 13. Tangible personal property purchased by:

17 (a) A hospital organized and operated exclusively for charitable
18 purposes, no part of the net earnings of which inures to the benefit of
19 any private shareholder or individual.

20 (b) A hospital operated by this state or a political subdivision of
21 this state.

22 (c) A licensed nursing care institution or a licensed residential
23 care institution or a residential care facility operated in conjunction
24 with a licensed nursing care institution or a licensed kidney dialysis
25 center, which provides medical services, nursing services or health
26 related services and is not used or held for profit.

27 (d) A qualifying health care organization, as defined in section
28 42-5001, if the tangible personal property is used by the organization
29 solely to provide health and medical related educational and charitable
30 services.

31 (e) A qualifying health care organization as defined in section
32 42-5001 if the organization is dedicated to providing educational,
33 therapeutic, rehabilitative and family medical education training for
34 blind and visually impaired children and children with multiple
35 disabilities from the time of birth to age twenty-one.

36 (f) A nonprofit charitable organization that has qualified under
37 section 501(c)(3) of the United States internal revenue code and that
38 engages in and uses such property exclusively in programs for persons with
39 mental or physical disabilities if the programs are exclusively for
40 training, job placement, rehabilitation or testing.

41 (g) A person that is subject to tax under this chapter by reason of
42 being engaged in business classified under section 42-5075, or a
43 subcontractor working under the control of a person that is engaged in
44 business classified under section 42-5075, if the tangible personal
45 property is any of the following:

1 (i) Incorporated or fabricated by the person into a structure,
2 project, development or improvement in fulfillment of a contract.

3 (ii) Incorporated or fabricated by the person into any project
4 described in section 42-5075, subsection 0.

5 (iii) Used in environmental response or remediation activities
6 under section 42-5075, subsection B, paragraph 6.

7 (h) A person that is not subject to tax under section 42-5075 and
8 that has been provided a copy of a certificate described in section
9 42-5009, subsection L, if the property purchased is incorporated or
10 fabricated by the person into the real property, structure, project,
11 development or improvement described in the certificate.

12 (i) A nonprofit charitable organization that has qualified under
13 section 501(c)(3) of the internal revenue code if the property is
14 purchased from the parent or an affiliate organization that is located
15 outside this state.

16 (j) A qualifying community health center as defined in section
17 42-5001.

18 (k) A nonprofit charitable organization that has qualified under
19 section 501(c)(3) of the internal revenue code and that regularly serves
20 meals to the needy and indigent on a continuing basis at no cost.

21 (l) A person engaged in business under the transient lodging
22 classification if the property is a personal hygiene item or articles used
23 by human beings for food, drink or condiment, except alcoholic beverages,
24 which are furnished without additional charge to and intended to be
25 consumed by the transient during the transient's occupancy.

26 (m) For taxable periods beginning from and after June 30, 2001, a
27 nonprofit charitable organization that has qualified under section
28 501(c)(3) of the internal revenue code and that provides residential
29 apartment housing for low-income persons over sixty-two years of age in a
30 facility that qualifies for a federal housing subsidy, if the tangible
31 personal property is used by the organization solely to provide
32 residential apartment housing for low-income persons over sixty-two years
33 of age in a facility that qualifies for a federal housing subsidy.

34 (n) A qualifying health sciences educational institution as defined
35 in section 42-5001.

36 (o) A person representing or working on behalf of any person
37 described in subdivision (a), (b), (c), (d), (e), (f), (i), (j), (k), (m)
38 or (n) of this paragraph, if the tangible personal property is
39 incorporated or fabricated into a project described in section 42-5075,
40 subsection 0.

41 14. Commodities, as defined by title 7 United States Code
42 section 2, that are consigned for resale in a warehouse in this state in
43 or from which the commodity is deliverable on a contract for future
44 delivery subject to the rules of a commodity market regulated by the
45 United States commodity futures trading commission.

1 15. Tangible personal property sold by:

2 (a) Any nonprofit organization organized and operated exclusively
3 for charitable purposes and recognized by the United States internal
4 revenue service under section 501(c)(3) of the internal revenue code.

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

18 (c) A nonprofit organization that is exempt from taxation under
19 section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the
20 internal revenue code if the organization sponsors or operates a rodeo
21 featuring primarily farm and ranch animals and no part of the
22 organization's net earnings inures to the benefit of any private
23 shareholder or individual.

24 16. Drugs and medical oxygen, including delivery hose, mask or
25 tent, regulator and tank, if prescribed by a member of the medical, dental
26 or veterinarian profession who is licensed by law to administer such
27 substances.

28 17. Prosthetic appliances, as defined in section 23-501, prescribed
29 or recommended by a person who is licensed, registered or otherwise
30 professionally credentialed as a physician, dentist, podiatrist,
31 chiropractor, naturopath, homeopath, nurse or optometrist.

32 18. Prescription eyeglasses and contact lenses.

33 19. Insulin, insulin syringes and glucose test strips.

34 20. Hearing aids as defined in section 36-1901.

35 21. Durable medical equipment that has a centers for medicare and
36 medicaid services common procedure code, is designated reimbursable by
37 medicare, is prescribed by a person who is licensed under title 32,
38 chapter 7, 13, 17 or 29, can withstand repeated use, is primarily and
39 customarily used to serve a medical purpose, is generally not useful to a
40 person in the absence of illness or injury and is appropriate for use in
41 the home.

42 22. Food, as provided in and subject to the conditions of article 3
43 of this chapter and sections 42-5074 and 42-6017.

1 23. Items purchased with United States department of agriculture
2 coupons issued under the supplemental nutrition assistance program
3 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;
4 7 United States Code sections 2011 through 2036b) by the United States
5 department of agriculture food and nutrition service or food instruments
6 issued under section 17 of the child nutrition act (P.L. 95-627; 92 Stat.
7 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States Code
8 section 1786).

9 24. Food and drink provided without monetary charge by a taxpayer
10 that is subject to section 42-5074 to its employees for their own
11 consumption on the premises during the employees' hours of employment.

12 25. Tangible personal property that is used or consumed in a
13 business subject to section 42-5074 for human food, drink or condiment,
14 whether simple, mixed or compounded.

15 26. Food, drink or condiment and accessory tangible personal
16 property that are acquired for use by or provided to a school district or
17 charter school if they are to be either served or prepared and served to
18 persons for consumption on the premises of a public school in the school
19 district or on the premises of the charter school during school hours.

20 27. Lottery tickets or shares purchased pursuant to title 5,
21 chapter 5.1, article 1.

22 28. Textbooks, sold by a bookstore, that are required by any state
23 university or community college.

24 29. Magazines, other periodicals or other publications produced by
25 this state to encourage tourist travel.

26 30. Paper machine clothing, such as forming fabrics and dryer
27 felts, purchased by a paper manufacturer and directly used or consumed in
28 paper manufacturing.

29 31. Coal, petroleum, coke, natural gas, virgin fuel oil and
30 electricity purchased by a qualified environmental technology
31 manufacturer, producer or processor as defined in section 41-1514.02 and
32 directly used or consumed in generating or providing on-site power or
33 energy solely for environmental technology manufacturing, producing or
34 processing or environmental protection. This paragraph applies for twenty
35 full consecutive calendar or fiscal years ~~from~~ AFTER the date the first
36 paper manufacturing machine is placed in service. In the case of an
37 environmental technology manufacturer, producer or processor that does not
38 manufacture paper, the time period begins with the date the first
39 manufacturing, processing or production equipment is placed in service.

40 32. Motor vehicles that are removed from inventory by a motor
41 vehicle dealer as defined in section 28-4301 and that are provided to:

42 (a) Charitable or educational institutions that are exempt from
43 taxation under section 501(c)(3) of the internal revenue code.

44 (b) Public educational institutions.

1 (c) State universities or affiliated organizations of a state
2 university if no part of the organization's net earnings inures to the
3 benefit of any private shareholder or individual.

4 33. Natural gas or liquefied petroleum gas used to propel a motor
5 vehicle.

6 34. Machinery, equipment, technology or related supplies that are
7 only useful to assist a person with a physical disability as defined in
8 section 46-191 or a person who has a developmental disability as defined
9 in section 36-551 or has a head injury as defined in section 41-3201 to be
10 more independent and functional.

11 35. Liquid, solid or gaseous chemicals used in manufacturing,
12 processing, fabricating, mining, refining, metallurgical operations,
13 research and development and, beginning on January 1, 1999, printing, if
14 using or consuming the chemicals, alone or as part of an integrated system
15 of chemicals, involves direct contact with the materials from which the
16 product is produced for the purpose of causing or allowing a chemical or
17 physical change to occur in the materials as part of the production
18 process. This paragraph does not include chemicals that are used or
19 consumed in activities such as packaging, storage or transportation but
20 does not affect any exemption for such chemicals that is otherwise
21 provided by this section. For the purposes of this paragraph, "printing"
22 means a commercial printing operation and includes job printing,
23 engraving, embossing, copying and bookbinding.

24 36. Food, drink and condiment purchased for consumption within the
25 premises of any prison, jail or other institution under the jurisdiction
26 of the state department of corrections, the department of public safety,
27 the department of juvenile corrections or a county sheriff.

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

33 38. Tangible personal property that is or directly enters into and
34 becomes an ingredient or component part of cards used as prescription plan
35 identification cards.

36 39. Overhead materials or other tangible personal property that is
37 used in performing a contract between the United States government and a
38 manufacturer, modifier, assembler or repairer, including property used in
39 performing a subcontract with a government contractor who is a
40 manufacturer, modifier, assembler or repairer, to which title passes to
41 the government under the terms of the contract or subcontract. For the
42 purposes of this paragraph:

43 (a) "Overhead materials" means tangible personal property, the
44 gross proceeds of sales or gross income derived from which would otherwise
45 be included in the retail classification, that is used or consumed in

1 performing a contract, the cost of which is charged to an overhead expense
2 account and allocated to various contracts based on generally accepted
3 accounting principles and consistent with government contract accounting
4 standards.

5 (b) "Subcontract" means an agreement between a contractor and any
6 person who is not an employee of the contractor for furnishing of supplies
7 or services that, in whole or in part, are necessary to perform one or
8 more government contracts, or under which any portion of the contractor's
9 obligation under one or more government contracts is performed, undertaken
10 or assumed, and that includes provisions causing title to overhead
11 materials or other tangible personal property used in performing the
12 subcontract to pass to the government or that includes provisions
13 incorporating such title passing clauses in a government contract into the
14 subcontract.

15 40. Through December 31, 1994, tangible personal property sold
16 pursuant to a personal property liquidation transaction, as defined in
17 section 42-5061. From and after December 31, 1994, tangible personal
18 property sold pursuant to a personal property liquidation transaction, as
19 defined in section 42-5061, if the gross proceeds of the sales were
20 included in the measure of the tax imposed by article 1 of this chapter or
21 if the personal property liquidation was a casual activity or transaction.

22 41. Wireless telecommunications equipment that is held for sale or
23 transfer to a customer as an inducement to enter into or continue a
24 contract for telecommunications services that are taxable under section
25 42-5064.

26 42. Alternative fuel, as defined in section 1-215, purchased by a
27 used oil fuel burner who has received a permit to burn used oil or used
28 oil fuel under section 49-426 or 49-480.

29 43. Tangible personal property purchased by a commercial airline
30 and consisting of food, beverages and condiments and accessories used for
31 serving the food and beverages, if those items are to be provided without
32 additional charge to passengers for consumption in flight. For the
33 purposes of this paragraph, "commercial airline" means a person holding a
34 federal certificate of public convenience and necessity or foreign air
35 carrier permit for air transportation to transport persons, property or
36 United States mail in intrastate, interstate or foreign commerce.

37 44. Alternative fuel vehicles if the vehicle was manufactured as a
38 diesel fuel vehicle and converted to operate on alternative fuel and
39 equipment that is installed in a conventional diesel fuel motor vehicle to
40 convert the vehicle to operate on an alternative fuel, as defined in
41 section 1-215.

42 45. Gas diverted from a pipeline, by a person engaged in the
43 business of:

1 (a) Operating a natural or artificial gas pipeline, and used or
2 consumed for the sole purpose of fueling compressor equipment that
3 pressurizes the pipeline.

4 (b) Converting natural gas into liquefied natural gas, and used or
5 consumed for the sole purpose of fueling compressor equipment used in the
6 conversion process.

7 46. Tangible personal property that is excluded, exempt or
8 deductible from transaction privilege tax pursuant to section 42-5063.

9 47. Tangible personal property purchased to be incorporated or
10 installed as part of environmental response or remediation activities
11 under section 42-5075, subsection B, paragraph 6.

12 48. Tangible personal property sold by a nonprofit organization
13 that is exempt from taxation under section 501(c)(6) of the internal
14 revenue code if the organization produces, organizes or promotes cultural
15 or civic related festivals or events and no part of the organization's net
16 earnings inures to the benefit of any private shareholder or individual.

17 49. Prepared food, drink or condiment donated by a restaurant as
18 classified in section 42-5074, subsection A to a nonprofit charitable
19 organization that has qualified under section 501(c)(3) of the internal
20 revenue code and that regularly serves meals to the needy and indigent on
21 a continuing basis at no cost.

22 50. Application services that are designed to assess or test
23 student learning or to promote curriculum design or enhancement purchased
24 by or for any school district, charter school, community college or state
25 university. For the purposes of this paragraph:

26 (a) "Application services" means software applications provided
27 remotely using hypertext transfer protocol or another network protocol.

28 (b) "Curriculum design or enhancement" means planning, implementing
29 or reporting on courses of study, lessons, assignments or other learning
30 activities.

31 51. Motor vehicle fuel and use fuel to a qualified business under
32 section 41-1516 for off-road use in harvesting, processing or transporting
33 qualifying forest products removed from qualifying projects as defined in
34 section 41-1516.

35 52. Repair parts installed in equipment used directly by a
36 qualified business under section 41-1516 in harvesting, processing or
37 transporting qualifying forest products removed from qualifying projects
38 as defined in section 41-1516.

39 53. Renewable energy credits or any other unit created to track
40 energy derived from renewable energy resources. For the purposes of this
41 paragraph, "renewable energy credit" means a unit created administratively
42 by the corporation commission or governing body of a public power entity
43 to track kilowatt hours of electricity derived from a renewable energy
44 resource or the kilowatt hour equivalent of conventional energy resources
45 displaced by distributed renewable energy resources.

1 54. Coal acquired from an owner or operator of a power plant by a
2 person that is responsible for refining coal if both of the following
3 apply:

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

6 (b) The title or possession of the coal is transferred back to the
7 owner or operator of the power plant after completion of the coal refining
8 process. For the purposes of this subdivision, "coal refining process"
9 means the application of a coal additive system that aids the reduction of
10 power plant emissions during the combustion of coal and the treatment of
11 flue gas.

12 55. Tangible personal property incorporated or fabricated into a
13 project described in section 42-5075, subsection 0, that is located within
14 the exterior boundaries of an Indian reservation for which the owner, as
15 defined in section 42-5075, of the project is an Indian tribe or an
16 affiliated Indian. For the purposes of this paragraph:

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

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

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

29 56. Cash equivalents, precious metal bullion and monetized bullion
30 purchased by the ultimate consumer, but coins or other forms of money for
31 manufacture into jewelry or works of art are subject to tax, and tangible
32 personal property that is purchased through the redemption of any cash
33 equivalent by the holder as a means of payment for goods that are subject
34 to tax under this article is subject to tax. For the purposes of this
35 paragraph:

36 (a) "Cash equivalents" means items, whether or not negotiable, that
37 are sold to one or more persons, through which a value denominated in
38 money is purchased in advance and that may be redeemed in full or in part
39 for tangible personal property, intangibles or services. Cash equivalents
40 include gift cards, stored value cards, gift certificates, vouchers,
41 traveler's checks, money orders or other tangible instruments or orders.
42 Cash equivalents do not include either of the following:

43 (i) Items that are sold to one or more persons and through which a
44 value is not denominated in money.

45 (ii) Prepaid calling cards for telecommunications services.

1 (b) "Monetized bullion" means coins and other forms of money that
2 are manufactured from gold, silver or other metals and that have been or
3 are used as a medium of exchange in this or another state, the United
4 States or a foreign nation.

5 (c) "Precious metal bullion" means precious metal, including gold,
6 silver, platinum, rhodium and palladium, that has been smelted or refined
7 so that its value depends on its contents and not on its form.

8 B. In addition to the exemptions allowed by subsection A of this
9 section, the following categories of tangible personal property are also
10 exempt:

11 1. Machinery, or equipment, used directly in manufacturing,
12 processing, fabricating, job printing, refining or metallurgical
13 operations. The terms "manufacturing", "processing", "fabricating", "job
14 printing", "refining" and "metallurgical" as used in this paragraph refer
15 to and include those operations commonly understood within their ordinary
16 meaning. "Metallurgical operations" includes leaching, milling,
17 precipitating, smelting and refining.

18 2. Machinery, or equipment, used directly in the process of
19 extracting ores or minerals from the earth for commercial purposes,
20 including equipment required to prepare the materials for extraction and
21 handling, loading or transporting such extracted material to the surface.
22 "Mining" includes underground, surface and open pit operations for
23 extracting ores and minerals.

24 3. Tangible personal property sold to persons engaged in business
25 classified under the telecommunications classification under section
26 42-5064, including a person representing or working on behalf of such a
27 person in a manner described in section 42-5075, subsection 0, and
28 consisting of central office switching equipment, switchboards, private
29 branch exchange equipment, microwave radio equipment and carrier equipment
30 including optical fiber, coaxial cable and other transmission media that
31 are components of carrier systems.

32 4. Machinery, equipment or transmission lines used directly in
33 producing or transmitting electrical power, but not including
34 distribution. Transformers and control equipment used at transmission
35 substation sites constitute equipment used in producing or transmitting
36 electrical power.

37 5. Machinery and equipment used directly for energy storage for
38 later electrical use. For the purposes of this paragraph:

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

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

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

5 6. Neat animals, horses, asses, sheep, ratites, swine or goats used
6 or to be used as breeding or production stock, including sales of
7 breedings or ownership shares in such animals used for breeding or
8 production.

9 7. Pipes or valves four inches in diameter or larger used to
10 transport oil, natural gas, artificial gas, water or coal slurry,
11 including compressor units, regulators, machinery and equipment, fittings,
12 seals and any other part that is used in operating the pipes or valves.

13 8. Aircraft, navigational and communication instruments and other
14 accessories and related equipment sold to:

15 (a) A person:

16 (i) Holding, or exempted by federal law from obtaining, a federal
17 certificate of public convenience and necessity for use as, in conjunction
18 with or becoming part of an aircraft to be used to transport persons for
19 hire in intrastate, interstate or foreign commerce.

20 (ii) That is certificated or licensed under federal aviation
21 administration regulations (14 Code of Federal Regulations part 121 or
22 135) as a scheduled or unscheduled carrier of persons for hire for use as
23 or in conjunction with or becoming part of an aircraft to be used to
24 transport persons for hire in intrastate, interstate or foreign commerce.

25 (iii) Holding a foreign air carrier permit for air transportation
26 for use as or in conjunction with or becoming a part of aircraft to be
27 used to transport persons, property or United States mail in intrastate,
28 interstate or foreign commerce.

29 (iv) Operating an aircraft to transport persons in any manner for
30 compensation or hire, or for use in a fractional ownership program that
31 meets the requirements of federal aviation administration regulations (14
32 Code of Federal Regulations part 91, subpart K), including as an air
33 carrier, a foreign air carrier or a commercial operator or under a
34 restricted category, within the meaning of 14 Code of Federal Regulations,
35 regardless of whether the operation or aircraft is regulated or certified
36 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code
37 of Federal Regulations.

38 (v) That will lease or otherwise transfer operational control,
39 within the meaning of federal aviation administration operations
40 specification A008, or its successor, of the aircraft, instruments or
41 accessories to one or more persons described in item (i), (ii), (iii) or
42 (iv) of this subdivision, subject to section 42-5009, subsection ~~P~~ P.

43 (b) Any foreign government.

44 (c) Persons who are not residents of this state and who will not
45 use such property in this state other than in removing such property from

1 this state. This subdivision also applies to corporations that are not
2 incorporated in this state, regardless of maintaining a place of business
3 in this state, if the principal corporate office is located outside this
4 state and the property will not be used in this state other than in
5 removing the property from this state.

6 9. Machinery, tools, equipment and related supplies used or
7 consumed directly in repairing, remodeling or maintaining aircraft,
8 aircraft engines or aircraft component parts by or on behalf of a
9 certificated or licensed carrier of persons or property.

10 10. Rolling stock, rails, ties and signal control equipment used
11 directly to transport persons or property.

12 11. Machinery or equipment used directly to drill for oil or gas or
13 used directly in the process of extracting oil or gas from the earth for
14 commercial purposes.

15 12. Buses or other urban mass transit vehicles that are used
16 directly to transport persons or property for hire or pursuant to a
17 governmentally adopted and controlled urban mass transportation program
18 and that are sold to bus companies holding a federal certificate of
19 convenience and necessity or operated by any city, town or other
20 governmental entity or by any person contracting with such governmental
21 entity as part of a governmentally adopted and controlled program to
22 provide urban mass transportation.

23 13. Groundwater measuring devices required under section 45-604.

24 14. New machinery and equipment consisting of agricultural
25 aircraft, tractors, tractor-drawn implements, self-powered implements,
26 machinery and equipment necessary for extracting milk, and machinery and
27 equipment necessary for cooling milk and livestock, and drip irrigation
28 lines not already exempt under paragraph 7 of this subsection and that are
29 used for commercially producing agricultural, horticultural, viticultural
30 and floricultural crops and products in this state. For the purposes of
31 this paragraph:

32 (a) "New machinery and equipment" means machinery or equipment that
33 has never been sold at retail except pursuant to leases or rentals that do
34 not total two years or more.

35 (b) "Self-powered implements" includes machinery and equipment that
36 are electric-powered.

37 15. Machinery or equipment used in research and development. For
38 the purposes of this paragraph, "research and development" means basic and
39 applied research in the sciences and engineering, and designing,
40 developing or testing prototypes, processes or new products, including
41 research and development of computer software that is embedded in or an
42 integral part of the prototype or new product or that is required for
43 machinery or equipment otherwise exempt under this section to function
44 effectively. Research and development do not include manufacturing
45 quality control, routine consumer product testing, market research, sales

1 promotion, sales service, research in social sciences or psychology,
2 computer software research that is not included in the definition of
3 research and development, or other nontechnological activities or
4 technical services.

5 16. Tangible personal property that is used by either of the
6 following to receive, store, convert, produce, generate, decode, encode,
7 control or transmit telecommunications information:

8 (a) Any direct broadcast satellite television or data transmission
9 service that operates pursuant to 47 Code of Federal Regulations part 25.

10 (b) Any satellite television or data transmission facility, if both
11 of the following conditions are met:

12 (i) Over two-thirds of the transmissions, measured in megabytes,
13 transmitted by the facility during the test period were transmitted to or
14 on behalf of one or more direct broadcast satellite television or data
15 transmission services that operate pursuant to 47 Code of Federal
16 Regulations part 25.

17 (ii) Over two-thirds of the transmissions, measured in megabytes,
18 transmitted by or on behalf of those direct broadcast television or data
19 transmission services during the test period were transmitted by the
20 facility to or on behalf of those services.

21 For the purposes of subdivision (b) of this paragraph, "test period" means
22 the three hundred sixty-five day period beginning on the later of the date
23 on which the tangible personal property is purchased or the date on which
24 the direct broadcast satellite television or data transmission service
25 first transmits information to its customers.

26 17. Clean rooms that are used for manufacturing, processing,
27 fabrication or research and development, as defined in paragraph 15 of
28 this subsection, of semiconductor products. For the purposes of this
29 paragraph, "clean room" means all property that comprises or creates an
30 environment where humidity, temperature, particulate matter and
31 contamination are precisely controlled within specified parameters,
32 without regard to whether the property is actually contained within that
33 environment or whether any of the property is affixed to or incorporated
34 into real property. Clean room:

35 (a) Includes the integrated systems, fixtures, piping, movable
36 partitions, lighting and all property that is necessary or adapted to
37 reduce contamination or to control airflow, temperature, humidity,
38 chemical purity or other environmental conditions or manufacturing
39 tolerances, as well as the production machinery and equipment operating in
40 conjunction with the clean room environment.

41 (b) Does not include the building or other permanent, nonremovable
42 component of the building that houses the clean room environment.

43 18. Machinery and equipment that are used directly in feeding
44 poultry, environmentally controlling housing for poultry, moving eggs
45 within a production and packaging facility or sorting or cooling

1 eggs. This exemption does not apply to vehicles used for transporting
2 eggs.

3 19. Machinery or equipment, including related structural components
4 and containment structures, that is employed in connection with
5 manufacturing, processing, fabricating, job printing, refining, mining,
6 natural gas pipelines, metallurgical operations, telecommunications,
7 producing or transmitting electricity or research and development and that
8 is used directly to meet or exceed rules or regulations adopted by the
9 federal energy regulatory commission, the United States environmental
10 protection agency, the United States nuclear regulatory commission, the
11 Arizona department of environmental quality or a political subdivision of
12 this state to prevent, monitor, control or reduce land, water or air
13 pollution.

14 20. Machinery and equipment that are used in commercially producing
15 livestock, livestock products or agricultural, horticultural, viticultural
16 or floricultural crops or products in this state, including production by
17 a person representing or working on behalf of such a person in a manner
18 described in section 42-5075, subsection 0, if the machinery and equipment
19 are used directly and primarily to prevent, monitor, control or reduce
20 air, water or land pollution.

21 21. Machinery or equipment that enables a television station to
22 originate and broadcast or to receive and broadcast digital television
23 signals and that was purchased to facilitate compliance with the
24 telecommunications act of 1996 (P.L. 104-104; 110 Stat. 56; 47 United
25 States Code section 336) and the federal communications commission order
26 issued April 21, 1997 (47 Code of Federal Regulations part 73). This
27 paragraph does not exempt any of the following:

28 (a) Repair or replacement parts purchased for the machinery or
29 equipment described in this paragraph.

30 (b) Machinery or equipment purchased to replace machinery or
31 equipment for which an exemption was previously claimed and taken under
32 this paragraph.

33 (c) Any machinery or equipment purchased after the television
34 station has ceased analog broadcasting, or purchased after November 1,
35 2009, whichever occurs first.

36 22. Qualifying equipment that is purchased from and after June 30,
37 2004 through June 30, 2024 by a qualified business under section 41-1516
38 for harvesting or processing qualifying forest products removed from
39 qualifying projects as defined in section 41-1516. To qualify for this
40 exemption, the qualified business must obtain and present its
41 certification from the Arizona commerce authority at the time of purchase.

42 23. Machinery, equipment, materials and other tangible personal
43 property used directly and predominantly to construct a qualified
44 environmental technology manufacturing, producing or processing facility
45 as described in section 41-1514.02. This paragraph applies for ten full

1 consecutive calendar or fiscal years after the start of initial
2 construction.

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

11 C. The exemptions provided by subsection B of this section do not
12 include:

13 1. Expendable materials. For the purposes of this paragraph,
14 expendable materials do not include any of the categories of tangible
15 personal property specified in subsection B of this section regardless of
16 the cost or useful life of that property.

17 2. Janitorial equipment and hand tools.

18 3. Office equipment, furniture and supplies.

19 4. Tangible personal property used in selling or distributing
20 activities, other than the telecommunications transmissions described in
21 subsection B, paragraph 16 of this section.

22 5. Motor vehicles required to be licensed by this state, except
23 buses or other urban mass transit vehicles specifically exempted pursuant
24 to subsection B, paragraph 12 of this section, without regard to the use
25 of such motor vehicles.

26 6. Shops, buildings, docks, depots and all other materials of
27 whatever kind or character not specifically included as exempt.

28 7. Motors and pumps used in drip irrigation systems.

29 8. Machinery and equipment or tangible personal property used by a
30 contractor in performing a contract.

31 D. The following shall be deducted in computing the purchase price
32 of electricity by a retail electric customer from a utility business:

33 1. Revenues received from sales of ancillary services, electric
34 distribution services, electric generation services, electric transmission
35 services and other services related to providing electricity to a retail
36 electric customer who is located outside this state for use outside this
37 state if the electricity is delivered to a point of sale outside this
38 state.

39 2. Revenues received from providing electricity, including
40 ancillary services, electric distribution services, electric generation
41 services, electric transmission services and other services related to
42 providing electricity with respect to which the transaction privilege tax
43 imposed under section 42-5063 has been paid.

1 E. The tax levied by this article does not apply to the purchase of
2 solar energy devices from a retailer that is registered with the
3 department as a solar energy retailer or a solar energy contractor.

4 F. The following shall be deducted in computing the purchase price
5 of electricity by a retail electric customer from a utility business:

6 1. Fees charged by a municipally owned utility to persons
7 constructing residential, commercial or industrial developments or
8 connecting residential, commercial or industrial developments to a
9 municipal utility system or systems if the fees are segregated and used
10 only for capital expansion, system enlargement or debt service of the
11 utility system or systems.

12 2. Reimbursement or contribution compensation to any person or
13 persons owning a utility system for property and equipment installed to
14 provide utility access to, on or across the land of an actual utility
15 consumer if the property and equipment become the property of the utility.
16 This deduction shall not exceed the value of such property and equipment.

17 G. The tax levied by this article does not apply to the purchase
18 price of electricity, natural gas or liquefied petroleum gas by:

19 1. A qualified manufacturing or smelting business. A utility that
20 claims this deduction shall report each month, on a form prescribed by the
21 department, the name and address of each qualified manufacturing or
22 smelting business for which this deduction is taken. This paragraph
23 applies to gas transportation services. For the purposes of this
24 paragraph:

25 (a) "Gas transportation services" means the services of
26 transporting natural gas to a natural gas customer or to a natural gas
27 distribution facility if the natural gas was purchased from a supplier
28 other than the utility.

29 (b) "Manufacturing" means the performance as a business of an
30 integrated series of operations that places tangible personal property in
31 a form, composition or character different from that in which it was
32 acquired and transforms it into a different product with a distinctive
33 name, character or use. Manufacturing does not include job printing,
34 publishing, packaging, mining, generating electricity or operating a
35 restaurant.

36 (c) "Qualified manufacturing or smelting business" means one of the
37 following:

38 (i) A business that manufactures or smelts tangible products in
39 this state, of which at least fifty-one percent of the manufactured or
40 smelted products will be exported out of state for incorporation into
41 another product or sold out of state for a final sale.

42 (ii) A business that derives at least fifty-one percent of its
43 gross income from the sale of manufactured or smelted products
44 manufactured or smelted by the business.

1 (iii) A business that uses at least fifty-one percent of its square
2 footage in this state for manufacturing or smelting and business
3 activities directly related to manufacturing or smelting.

4 (iv) A business that employs at least fifty-one percent of its
5 workforce in this state in manufacturing or smelting and business
6 activities directly related to manufacturing or smelting.

7 (v) A business that uses at least fifty-one percent of the value of
8 its capitalized assets in this state, as reflected on the business's books
9 and records, for manufacturing or smelting and business activities
10 directly related to manufacturing or smelting.

11 (d) "Smelting" means to melt or fuse a metalliferous mineral, often
12 with an accompanying chemical change, usually to separate the metal.

13 2. A business that operates an international operations center in
14 this state and that is certified by the Arizona commerce authority
15 pursuant to section 41-1520.

16 H. A city or town may exempt proceeds from sales of paintings,
17 sculptures or similar works of fine art if such works of fine art are sold
18 by the original artist. For the purposes of this subsection, fine art does
19 not include an art creation such as jewelry, macrame, glasswork, pottery,
20 woodwork, metalwork, furniture or clothing if the art creation has a dual
21 purpose, both aesthetic and utilitarian, whether sold by the artist or by
22 another person.

23 I. For the purposes of subsection B of this section:

24 1. "Agricultural aircraft" means an aircraft that is built for
25 agricultural use for the aerial application of pesticides or fertilizer or
26 for aerial seeding.

27 2. "Aircraft" includes:

28 (a) An airplane flight simulator that is approved by the federal
29 aviation administration for use as a phase II or higher flight simulator
30 under appendix H, 14 Code of Federal Regulations part 121.

31 (b) Tangible personal property that is permanently affixed or
32 attached as a component part of an aircraft that is owned or operated by a
33 certificated or licensed carrier of persons or property.

34 3. "Other accessories and related equipment" includes aircraft
35 accessories and equipment such as ground service equipment that physically
36 contact aircraft at some point during the overall carrier operation.

37 J. For the purposes of subsection D of this section, "ancillary
38 services", "electric distribution service", "electric generation service",
39 "electric transmission service" and "other services" have the same
40 meanings prescribed in section 42-5063.

41 Sec. 14. Repeal

42 Sections 42-6009 and 42-6013, Arizona Revised Statutes, are
43 repealed.

1 Sec. 15. Section 42-6102, Arizona Revised Statutes, is amended to
2 read:

3 42-6102. Administration; exception

4 A. Unless the context otherwise requires, chapter 5, article 1 of
5 this title governs the administration of the taxes imposed by this
6 article, except that:

7 1. A separate license is not required for the taxes imposed by this
8 article, and the taxes due under this article shall be included, reported
9 and paid with the transaction privilege tax.

10 2. A separate bond is not required of employees of the department
11 in administering this article.

12 3. The taxes imposed by this article may be included without
13 segregation in any notice and lien filed for unpaid transaction privilege
14 taxes.

15 B. The taxes imposed pursuant to this article do not apply to the
16 gross proceeds of sales or gross income derived pursuant to contracts
17 entered into before the date of the election to authorize the tax by prime
18 contractors ~~and owner builders~~ who are classified under ~~sections~~ SECTION
19 42-5075 ~~and 42-5076~~ unless the contract contains a provision ~~which~~ THAT
20 entitles the contractor to recover the amount of the tax from a
21 purchaser. In order to qualify for this exemption the contractor shall
22 provide sufficient documentation, in a manner and form prescribed by the
23 department, to verify that a contract was entered into before the date of
24 the election to authorize the tax.

25 Sec. 16. Section 42-6108, Arizona Revised Statutes, is amended to
26 read:

27 42-6108. Tax on hotels

28 A. The board of supervisors of a county having a population of less
29 than two million five hundred thousand but more than five hundred thousand
30 persons may levy and, if levied, the department shall collect a tax on the
31 gross proceeds of sales or gross income from the business of every person
32 engaging or continuing in the county in a business taxed under chapter 5
33 of this title and classified under section 42-5070 ~~or 42-5076~~. The tax
34 shall be levied under this section beginning January 1 or July 1,
35 whichever date first occurs at least three months after the county
36 resolution approving the tax levy. The rate of tax shall not exceed six
37 ~~per cent~~ PERCENT.

38 B. The tax only applies in unincorporated areas of the county.

39 C. At the end of each month the state treasurer shall transmit the
40 net revenues collected pursuant to this section to the treasurer of the
41 county levying the tax. The county shall use:

42 1. Not more than thirty-four percent of these revenues for the
43 purposes set forth in section 48-4204, subsection A, as financial
44 participation by the county as required by that subsection.

1 2. Not more than sixteen percent of these revenues for the purposes
2 of economic development under section 11-254.04. Any increase in tax
3 imposed under this section shall not constitute a new tax for the purposes
4 of section 11-254.04, subsection B.

5 3. All remaining revenues to promote and enhance tourism through
6 the recognized tourism promotion agency in the county.

7 Sec. 17. Section 42-6108.01, Arizona Revised Statutes, is amended
8 to read:

9 42-6108.01. Tax on hotels

10 A. The qualified electors residing in a county having a population
11 of less than two million but more than five hundred thousand persons, by
12 majority vote at an election held in the county, may levy and, if levied,
13 the department of revenue shall collect a tax on the gross proceeds of
14 sales or gross income from the business of every person engaging or
15 continuing in a business taxed under chapter 5 of this title and
16 classified under section 42-5070 ~~or 42-5076~~ within the county. A tax
17 under this section:

18 1. Is in addition to taxes imposed by chapter 5 of this title and
19 section 42-6108 and any tax imposed by a city or town in the county.

20 2. Applies in both incorporated and unincorporated areas of the
21 county.

22 B. If levied, the tax shall be levied under this section beginning
23 on the first day of the first month beginning ninety days after the
24 election to levy the tax. The tax shall be in effect for thirty years.
25 The tax may be extended by majority vote of the qualified electors
26 residing in the county at an election held in the county for a period of
27 not more than ten years.

28 C. The rate of the tax is one ~~per cent~~ PERCENT of the tax base
29 prescribed by section 42-5070 ~~or 42-5076~~.

30 D. Each month the state treasurer shall credit the net revenues
31 collected pursuant to this section to the tourism fund established by
32 section 41-2306.

33 Sec. 18. Section 42-12003, Arizona Revised Statutes, is amended to
34 read:

35 42-12003. Class three property; definition

36 A. For purposes of taxation, class three is established consisting
37 of:

38 1. Real and personal property and improvements to the property that
39 are used as the owner's primary residence, that are not otherwise included
40 in class one, two, four, six, seven or eight and that are valued at full
41 cash value.

42 2. Real and personal property that is occupied by a relative of the
43 owner, as provided by section 42-12053, and used as the relative's primary
44 residence, that is not otherwise included in class one, two, four, six,
45 seven or eight and that is valued at full cash value.

1 ~~3. Real and personal property that is owned and occupied as the~~
2 ~~primary residence of the owner who also uses the property for lease or~~
3 ~~rent to lodgers.~~

4 B. For the purposes of this section, a homesite that is included in
5 class three may include:

6 1. Up to ten acres on a single parcel of real property on which the
7 residential improvement is located.

8 2. More than ten, but not more than forty, acres on a single parcel
9 of real property on which the residential improvement is located if it is
10 zoned exclusively for residential purposes or contains legal restrictions
11 or physical conditions that prevent the division of the parcel.

12 C. For the purposes of this section, "physical conditions" means
13 topography, mountains, washes, rivers, roads or any other configuration
14 that limits the residential usable land area.

15 Sec. 19. Section 42-12004, Arizona Revised Statutes, is amended to
16 read:

17 42-12004. Class four property

18 A. For THE purposes of taxation, class four is established
19 consisting of:

20 1. Real and personal property and improvements to the property that
21 are used for residential purposes, including residential property that is
22 owned in foreclosure by a financial institution, that is not otherwise
23 included in another classification and that is valued at full cash value.
24 The homesite that is included in class four may include:

25 (a) Up to ten acres on a single parcel of real property on which
26 the residential improvement is located.

27 (b) More than ten, but not more than forty, acres on a single
28 parcel of real property on which the residential improvement is located if
29 it is zoned exclusively for residential purposes or contains legal
30 restrictions or physical conditions that prevent the division of the
31 parcel. For the purposes of this subdivision, "physical conditions" means
32 topography, mountains, washes, rivers, roads or any other configuration
33 that limits the residential usable land area.

34 2. Real and personal property and improvements to the property that
35 are used solely as leased or rented property for residential purposes,
36 that are not included in class one, two, three, six, seven or eight and
37 that are valued at full cash value.

38 3. Child care facilities that are licensed under title 36, chapter
39 7.1 and that are valued at full cash value.

40 4. Real and personal property and improvements to property that are
41 used to operate nonprofit residential housing facilities that are
42 structured to house or care for persons with disabilities or who are
43 sixty-two years of age or older and that are valued at full cash value.

1 5. Real and personal property and improvements that are used to
2 operate licensed residential care institutions or licensed nursing care
3 institutions that provide medical services, nursing services or ~~health~~
4 ~~related~~ HEALTH-RELATED services and that are structured to house or care
5 for persons with disabilities or who are sixty-two years of age or older
6 and that are valued at full cash value.

7 6. Real and personal property consisting of ~~no~~ NOT more than eight
8 rooms of residential property that are leased or rented to transient
9 lodgers, together with furnishing ~~no~~ NOT more than a breakfast meal, by
10 the owner who resides on the property and that is valued at full cash
11 value.

12 7. Real and personal property ~~consisting~~ THAT CONSISTS of
13 residential dwellings ~~that are~~ maintained for occupancy by agricultural
14 employees as a condition of employment or as a convenience to the
15 employer, that is not included in class three and that is valued at full
16 cash value. The land associated with these dwellings shall be valued as
17 agricultural land pursuant to chapter 13, article 3 of this title.

18 8. Real property and improvements to property constituting common
19 areas that are valued pursuant to chapter 13, article 9 of this title.

20 9. Real and personal property that is defined as timeshare property
21 by section 32-2197 and valued pursuant to chapter 13, article 10 of this
22 title, except for any property used for commercial, industrial or
23 transient occupancy purposes and included in class one to the extent of
24 that use.

25 ~~10. Real and personal property and improvements that are used for~~
26 ~~residential purposes and that are leased or rented to lodgers, except for:~~

27 ~~(a) Property occupied by the owner of the property as the owner's~~
28 ~~primary residence and included in class three.~~

29 ~~(b) Property used for commercial purposes and included in class~~
30 ~~one.~~

31 ~~11.~~ 10. Low-income multifamily residential rental properties that
32 are valued pursuant to chapter 13, article 13 of this title.

33 B. Subsection A, paragraphs 4 and 5 of this section do not limit
34 eligibility for exemption from taxation under chapter 11, article 3 of
35 this title.

36 Sec. 20. Repeal

37 Laws 2016, chapter 208, sections 15 and 16 are repealed.

38 Sec. 21. Conditional enactment

39 Section 42-5061, Arizona Revised Statutes, as amended by Laws 2021,
40 chapter 266, section 4, chapter 412, section 8, chapter 417, section 5,
41 chapter 443, section 3 and this act, becomes effective on the date
42 prescribed by Laws 2018, chapter 263, section 5 but only on the occurrence
43 of the condition prescribed by Laws 2018, chapter 263, section 5.