

House Engrossed Senate Bill

~~tax credit; foster care organizations~~
(now: municipal tax exemption; residential lease)

State of Arizona
Senate
Fifty-fifth Legislature
Second Regular Session
2022

SENATE BILL 1116

AN ACT

AMENDING SECTIONS 9-1304, 11-1704 AND 33-1314, ARIZONA REVISED STATUTES; AMENDING SECTION 42-6004, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 417, SECTION 10; AMENDING SECTION 42-6004, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 417, SECTION 11; REPEALING SECTION 42-6011, ARIZONA REVISED STATUTES; AMENDING SECTION 42-15103, ARIZONA REVISED STATUTES; RELATING TO MUNICIPAL TAXES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 9-1304, Arizona Revised Statutes, is amended to
3 read:

4 9-1304. Adoption of citywide residential rental property
5 licensing, registration or inspection program;
6 requirements

7 A. A city or town may adopt a citywide residential rental property
8 inspection program only if the following occurs:

9 1. The city or town conducts a public hearing and adopts the rental
10 property inspection program ordinance or resolution at a regularly held
11 city or town council meeting that occurs at least thirty days after the
12 public hearing.

13 2. The ordinance or resolution is adopted by at least a
14 three-fourths vote of the entire council.

15 3. The city or town notifies all owners of residential rental
16 properties who are then currently registered with the county assessor of
17 the county in which the property is located.

18 4. The notice to owners is mailed by first class mail at least
19 twenty days ~~in advance of~~ BEFORE the required public hearing.

20 5. A notice of the public hearing is published in a local newspaper
21 of general circulation and POSTED ON any official municipal ~~web site~~
22 WEBSITE not less than two weeks before the required public hearing.

23 B. A city or town shall not adopt a residential rental licensing
24 requirement for residential rental properties or property owners. ~~This~~
25 ~~subsection does not prohibit a city or town that imposes a sales tax on~~
26 ~~rent from requiring a transaction privilege tax license for residential~~
27 ~~rental property owners.~~

28 C. A city or town shall not adopt a residential rental registration
29 requirement. A city or town shall obtain rental registration information
30 only from the county assessor's office for the county in which the
31 residential rental property is located.

32 Sec. 2. Section 11-1704, Arizona Revised Statutes, is amended to
33 read:

34 11-1704. Adoption of countywide residential rental property
35 licensing, registration or inspection program;
36 requirements

37 A. A county may adopt a countywide residential rental property
38 inspection program only if the following occurs:

39 1. The county conducts a public hearing and adopts the rental
40 property inspection program ordinance or resolution at a regularly held
41 county board meeting that occurs at least thirty days after the public
42 hearing.

43 2. The ordinance or resolution is adopted by at least a majority
44 vote of the entire board.

1 information of a person who is authorized by the tenant to enter the
2 tenant's dwelling unit to retrieve and store the tenant's property,
3 including the tenant's animal, if the tenant dies or is otherwise
4 incapacitated. If the landlord is unable to contact the authorized person
5 at the address and telephone number provided to the landlord by the tenant
6 or the authorized person fails to respond to the landlord's request within
7 one day for the animal or ten days for all other property after initial
8 written contact, the landlord may dispose of the property as prescribed in
9 section 33-1370 or may deem the animal abandoned, and if deemed abandoned,
10 shall remove AND RELEASE the animal to an animal shelter or boarding
11 facility as prescribed in section 33-1370, subsection E. The landlord may
12 release the animal to a relative of the deceased or incapacitated tenant
13 if any of the following applies:

- 14 1. The landlord was not provided the contact information of a
15 person who is authorized by the tenant to retrieve the tenant's animal.
- 16 2. The contact information is no longer valid.
- 17 3. The landlord is unable to contact the authorized person after
18 one calendar day.

19 ~~F~~ F. Before removing any of the tenant's personal property or the
20 tenant's animal, the authorized person shall present to the landlord a
21 valid government issued identification that confirms the identity of the
22 authorized person. The authorized person shall have twenty days after the
23 date of initial written contact by the landlord or the last date for which
24 rent is paid, whichever is longer, to remove items from the rental
25 property and return keys to the landlord during regular business hours.
26 If the landlord allows an authorized person to enter the property to
27 remove the tenant's personal possessions as prescribed by this subsection,
28 the landlord has no further liability to the tenant, the tenant's estate
29 or the tenant's heirs for lost, damaged or stolen items. If the tenant's
30 personal property is not entirely removed from the rental unit by an
31 authorized person, the landlord may dispose of the property as prescribed
32 in section 33-1370.

33 ~~H~~ G. Subsections ~~F~~ E and ~~G~~ F of this section apply only as
34 follows:

- 35 1. To the tenant's personal property if the periodic rent is unpaid
36 and outstanding for at least five days.
- 37 2. To the tenant's animal if the tenant is deceased or is otherwise
38 incapacitated.

39 Sec. 4. Section 42-6004, Arizona Revised Statutes, as amended by
40 Laws 2021, chapter 417, section 10, is amended to read:

41 42-6004. Exemption from municipal tax; definitions

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

- 44 1. Exhibition events in this state sponsored, conducted or operated
45 by a nonprofit organization that is exempt from taxation under section

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

12 2. Interstate telecommunications services, which include that
13 portion of telecommunications services, such as subscriber line service,
14 allocable by federal law to interstate telecommunications service.

15 3. Sales of warranty or service contracts.

16 4. Sales of motor vehicles to nonresidents of this state for use
17 outside this state if the motor vehicle dealer ships or delivers the motor
18 vehicle to a destination outside this state.

19 5. Interest on finance contracts.

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

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

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

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

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

35 9. The gross proceeds of sales or gross income retained by the
36 Arizona exposition and state fair board from ride ticket sales at the
37 annual Arizona state fair.

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

40 (a) "Affiliated companies, businesses, persons or reciprocal
41 insurers" means the lessor holds a controlling interest in the lessee, the
42 lessee holds a controlling interest in the lessor, affiliated persons hold
43 a controlling interest in both the lessor and the lessee, or an unrelated
44 person holds a controlling interest in both the lessor and lessee.

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

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

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

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

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

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

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

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

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

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

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

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

41 (i) Assembling the machinery, equipment or other tangible personal
42 property.

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

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

4 (iv) Stabilizing or protecting the machinery, equipment or other
5 tangible personal property during operation by bolting, burying or
6 performing other dissimilar nonpermanent connections to either real
7 property or real property improvements.

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

12 13. Computer data center equipment sold to the owner, operator or
13 qualified colocation tenant of a computer data center that is certified by
14 the Arizona commerce authority under section 41-1519 or an authorized
15 agent of the owner, operator or qualified colocation tenant during the
16 qualification period for use in the qualified computer data center. For
17 the purposes of this paragraph, "computer data center", "computer data
18 center equipment", "qualification period" and "qualified colocation
19 tenant" have the same meanings prescribed in section 41-1519.

20 14. The gross proceeds of sales or gross income derived from a
21 contract with the owner of real property or improvements to real property
22 for the maintenance, repair, replacement or alteration of existing
23 property, except as specified in this paragraph. The gross proceeds of
24 sales or gross income derived from a de minimis amount of modification
25 activity does not subject the contract or any part of the contract to tax.
26 For the purposes of this paragraph:

27 (a) Each contract is independent of another contract, except that
28 any change order that directly relates to the scope of work of the
29 original contract shall be treated the same as the original contract under
30 this paragraph, regardless of the amount of modification activities
31 included in the change order. If a change order does not directly relate
32 to the scope of work of the original contract, the change order shall be
33 treated as a new contract, with the tax treatment of any subsequent change
34 order to follow the tax treatment of the contract to which the scope of
35 work of the subsequent change order directly relates.

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

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

1 (i) Community facilities districts, fire districts, county
2 television improvement districts, community park maintenance districts,
3 cotton pest control districts, hospital districts, pest abatement
4 districts, health service districts, agricultural improvement districts,
5 county free library districts, county jail districts, county stadium
6 districts, special health care districts, public health services
7 districts, theme park districts or revitalization districts.

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

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

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

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

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

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

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

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

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

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

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

3 (a) By a person that is engaged in the business of providing or
4 furnishing electrical services or telecommunication services or that is a
5 cable operator.

6 (b) To a person that is engaged in the business of providing or
7 furnishing electrical services or telecommunication services or that is a
8 cable operator.

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

13 21. The gross proceeds of sales or gross income derived from entry
14 fees paid by participants for events that are operated or conducted by
15 nonprofit organizations that are exempt from taxation under section
16 501(c)(3) of the internal revenue code and of which no part of the
17 organization's net earnings inures to the benefit of any private
18 shareholder or individual, if the event consists of a run, walk, swim or
19 bicycle ride or a similar event, or any combination of these events.

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

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

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

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

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

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

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

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

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

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

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

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

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

21 (b) The attributable amount is equal to the total amount of
22 development fees paid by the taxpayer or by a contractor providing
23 services to the taxpayer and the total development fees credited in
24 exchange for the construction of, contribution to or dedication of real
25 property for providing public infrastructure, public safety or other
26 public services necessary to the development. The real property must be
27 the subject of the development fees.

28 (c) "Development fees" means fees imposed to offset capital costs
29 of providing public infrastructure, public safety or other public services
30 to a development and authorized pursuant to section 9-463.05, section
31 11-1102 or title 48 regardless of the jurisdiction to which the fees are
32 paid.

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

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

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

40 10. Transporting for hire persons by vehicle for hire drivers on
41 transactions involving vehicle for hire services as defined in section
42 28-9501.

43 D. A city, town or other taxing jurisdiction shall not levy a
44 transaction privilege, sales, use, franchise or other similar tax or fee,
45 however denominated, in excess of one-tenth of one percent of the value of

1 the entire product mined, smelted, extracted, refined, produced or
2 prepared for sale, profit or commercial use, on persons engaged in the
3 business of mineral processing, except to the extent that the tax is
4 computed on the gross proceeds or gross income from sales at retail.

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

8 1. A manufacturer's cash rebate on the sales price of a motor
9 vehicle if the buyer assigns the buyer's right in the rebate to the
10 retailer.

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

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

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

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

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

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

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

36 1. "Cable operator" has the same meaning prescribed in section
37 9-505 and includes a video service provider.

38 2. "Electrical services" means transmitting or distributing
39 electricity, electric lights, current or power over lines, wires or
40 cables.

41 3. "Telecommunication services" means transmitting or relaying
42 sound, visual image, data, information, images or material over lines,
43 wires or cables by radio signal, light beam, telephone, telegraph or other
44 electromagnetic means.

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

4 Sec. 5. Section 42-6004, Arizona Revised Statutes, as amended by
5 Laws 2021, chapter 417, section 11, is amended to read:

6 42-6004. Exemption from municipal tax; definitions

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

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

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

25 3. Sales of warranty or service contracts.

26 4. Sales of motor vehicles to nonresidents of this state for use
27 outside this state if the motor vehicle dealer ships or delivers the motor
28 vehicle to a destination outside this state.

29 5. Interest on finance contracts.

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

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

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

36 (a) "Internet" means the computer and telecommunications facilities
37 that comprise the interconnected worldwide network of networks that employ
38 the transmission control protocol or internet protocol, or any predecessor
39 or successor protocol, to communicate information of all kinds by wire or
40 radio.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 (i) Assembling the machinery, equipment or other tangible personal
9 property.

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

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

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

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

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

31 14. The gross proceeds of sales or gross income derived from a
32 contract with the owner of real property or improvements to real property
33 for the maintenance, repair, replacement or alteration of existing
34 property, except as specified in this paragraph. The gross proceeds of
35 sales or gross income derived from a de minimis amount of modification
36 activity does not subject the contract or any part of the contract to tax.
37 For the purposes of this paragraph:

38 (a) Each contract is independent of another contract, except that
39 any change order that directly relates to the scope of work of the
40 original contract shall be treated the same as the original contract under
41 this paragraph, regardless of the amount of modification activities
42 included in the change order. If a change order does not directly relate
43 to the scope of work of the original contract, the change order shall be
44 treated as a new contract, with the tax treatment of any subsequent change

1 order to follow the tax treatment of the contract to which the scope of
2 work of the subsequent change order directly relates.

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

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

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

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

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

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

30 17. The sale of coal.

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

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

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

44 (c) "Indian tribe" means any organized nation, tribe, band or
45 community that is recognized as an Indian tribe by the United States

1 department of the interior and includes any entity formed under the laws
2 of that Indian tribe.

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

5 (a) By a person that is engaged in the business of providing or
6 furnishing electrical services or telecommunication services or that is a
7 cable operator.

8 (b) To a person that is engaged in the business of providing or
9 furnishing electrical services or telecommunication services or that is a
10 cable operator.

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

15 21. The gross proceeds of sales or gross income derived from entry
16 fees paid by participants for events that are operated or conducted by
17 nonprofit organizations that are exempt from taxation under section
18 501(c)(3) of the internal revenue code and of which no part of the
19 organization's net earnings inures to the benefit of any private
20 shareholder or individual, if the event consists of a run, walk, swim or
21 bicycle ride or a similar event, or any combination of these events.

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

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

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

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

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

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

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

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

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

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

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

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

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

24 (b) The attributable amount is equal to the total amount of
25 development fees paid by the taxpayer or by a contractor providing
26 services to the taxpayer and the total development fees credited in
27 exchange for the construction of, contribution to or dedication of real
28 property for providing public infrastructure, public safety or other
29 public services necessary to the development. The real property must be
30 the subject of the development fees.

31 (c) "Development fees" means fees imposed to offset capital costs
32 of providing public infrastructure, public safety or other public services
33 to a development and authorized pursuant to section 9-463.05, section
34 11-1102 or title 48 regardless of the jurisdiction to which the fees are
35 paid.

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

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

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

43 10. Transporting for hire persons by vehicle for hire drivers on
44 transactions involving vehicle for hire services as defined in section
45 28-9501.

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

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

11 1. A manufacturer's cash rebate on the sales price of a motor
12 vehicle if the buyer assigns the buyer's right in the rebate to the
13 retailer.

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

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

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

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

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

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

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

39 1. "Cable operator" has the same meaning prescribed in section
40 9-505 and includes a video service provider.

41 2. "Electrical services" means transmitting or distributing
42 electricity, electric lights, current or power over lines, wires or
43 cables.

44 3. "Telecommunication services" means transmitting or relaying
45 sound, visual image, data, information, images or material over lines,

1 wires or cables by radio signal, light beam, telephone, telegraph or other
2 electromagnetic means.

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

6 Sec. 6. Repeal

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

8 Sec. 7. Section 42-15103, Arizona Revised Statutes, is amended to
9 read:

10 42-15103. Contents of notice form

11 The notice form shall:

12 1. Prominently display a statement for all residential properties:

13 (a) Which defines class three properties as described in section
14 42-12003.

15 (b) Informing property owners that if the property listed on the
16 notice does not meet the ~~definition~~ DESCRIPTION provided pursuant to
17 subdivision (a) of this ~~section~~ PARAGRAPH, the owner must notify the
18 county assessor of the usage of the property or ~~they~~ THE OWNER may be
19 subject to a civil penalty prescribed by section 42-12052.

20 2. Include simplified instructions on the procedure and deadlines
21 for appealing the assessed valuation shown on the notice.

22 3. Prominently display a statement informing owners of property
23 that is used for residential rental purposes that:

24 (a) The parcel must be listed on the notice as class four, and the
25 owner must register the residential rental property with the county
26 assessor pursuant to section 33-1902 or the owner may be subject to a
27 penalty.

28 (b) If the owner is required to register the rental property with
29 the county assessor and fails to do so after receipt of this notice, the
30 city or town may impose a civil penalty payable to the city or town in the
31 amount of ~~one hundred fifty dollars~~ \$150 per day for each day of
32 violation, and the city or town may impose enhanced inspection and
33 enforcement measures on the property.

34 ~~(c) If the city or town in which the property is located requires~~
35 ~~the lessor to pay transaction privilege tax on residential rent, a notice~~
36 ~~of applicable requirements imposed by the city or town and that failure to~~
37 ~~pay the applicable tax could result in a penalty or fine by the city or~~
38 ~~town.~~

39 ~~(d)~~ (c) Residential rental properties are required to comply with
40 the landlord tenant law pursuant to title 33, chapters 10 and 11.

41 Sec. 8. Rent reduction; delayed repeal

42 A. On or before January 1, 2023, the owner of real property that is
43 rented or leased for residential purposes and that is located in a city,
44 town or other taxing jurisdiction that levies a transaction privilege tax
45 on the business of renting or leasing real property for residential

1 purposes shall reduce the amount of rent due by an amount equal to the
2 difference caused by the elimination of the transaction privilege tax on
3 the business of renting or leasing real property for residential purposes
4 as provided by this act.

5 B. This section is repealed from and after December 31, 2025.

6 Sec. 9. Notice; retroactivity; delayed repeal

7 A. On or before October 31, 2022, the department of revenue shall
8 electronically notify each residential rental transaction privilege tax
9 licensee that a city, town or other taxing jurisdiction that levies a
10 transaction privilege tax on the business of renting or leasing real
11 property for residential purposes will no longer levy the tax from and
12 after December 31, 2022. If the department of revenue is unable to send
13 the notice to a licensee electronically, the department shall send the
14 notice by first class mail to all of the following:

15 1. The address appearing on the residential transaction privilege
16 tax license.

17 2. The address of any property management company, statutory agent
18 or other representative listed as a delegate with the department of
19 revenue for each residential rental property.

20 3. The address of each residential rental property that is located
21 in the city, town or taxing jurisdiction that will no longer levy the
22 transaction privilege tax on the business of renting or leasing real
23 property for residential purposes.

24 B. The department of revenue shall post the notice required by
25 subsection A of this section on its website.

26 C. This section applies retroactively to from and after September
27 30, 2022.

28 D. This section is repealed from and after December 31, 2025.

29 Sec. 10. Legislative intent

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

34 Sec. 11. Effective date

35 Except as provided in section 12 of this act, this act is effective
36 from and after September 30, 2024.

37 Sec. 12. Conditional enactment; applicability

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