

REFERENCE TITLE: TPT; exemptions; motor vehicles; nonresidents

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

SB 1372

Introduced by
Senator Pace

AN ACT

AMENDING SECTIONS 28-2003, 28-2154, 28-2154.01 AND 42-5009, ARIZONA REVISED STATUTES; AMENDING SECTION 42-5061, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 266, SECTION 3, CHAPTER 412, SECTION 7, CHAPTER 417, SECTION 4 AND CHAPTER 443, SECTION 2; AMENDING SECTION 42-5061, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2021, CHAPTER 266, SECTION 4, CHAPTER 412, SECTION 8, CHAPTER 417, SECTION 5 AND CHAPTER 443, SECTION 3; 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; RELATING TO TRANSACTION PRIVILEGE AND USE TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 28-2003, Arizona Revised Statutes, is amended to
3 read:

4 28-2003. Fees; vehicle title and registration; identification
5 plate; definition

6 A. The following fees are required:

7 1. For each certificate of title, salvage certificate of title,
8 restored salvage certificate of title or nonrepairable vehicle certificate
9 of title, ~~four dollars~~ \$4.

10 2. For each certificate of title for a mobile home, ~~seven~~
11 ~~dollars~~ \$7. The director shall deposit ~~three dollars~~ \$3 of each fee
12 imposed by this paragraph in the state highway fund established by section
13 28-6991.

14 3. Except as provided in section 28-1177, for the registration of a
15 motor vehicle, ~~eight dollars~~ \$8, except that the fee for motorcycles is
16 ~~nine dollars~~ \$9.

17 4. For a duplicate registration card or any duplicate permit, ~~four~~
18 ~~dollars~~ \$4.

19 5. For each special ninety day nonresident registration PERMIT
20 issued under section 28-2154, ~~fifteen dollars~~ \$15.

21 6. For the registration of a trailer or semitrailer that is not a
22 travel trailer, ~~and~~ that is ten thousand pounds or less gross vehicle
23 weight and that is used in the furtherance of a commercial enterprise,
24 ~~eight dollars~~ \$8.

25 7. For the registration of a trailer or semitrailer that is not a
26 travel trailer and that exceeds ten thousand pounds gross vehicle weight:

27 (a) On initial registration, a ~~one-time~~ ONETIME fee of ~~two hundred~~
28 ~~forty-five dollars~~ \$245.

29 (b) On renewal of registration or if previously registered in
30 another state, a ~~one-time~~ ONETIME fee of:

31 (i) If the trailer's or semitrailer's model year is less than six
32 years old, ~~one hundred forty-five dollars~~ \$145.

33 (ii) If the trailer's or semitrailer's model year is at least six
34 years old, ~~ninety-five dollars~~ \$95.

35 8. For the registration of a noncommercial trailer that is not a
36 travel trailer and that is ten thousand pounds or less gross vehicle
37 weight:

38 (a) On initial registration, a one-time fee of ~~twenty dollars~~ \$20.

39 (b) On renewal of registration, a one-time fee of ~~five dollars~~ \$5.

40 9. For a transfer of a noncommercial trailer that is not a travel
41 trailer and that is ten thousand pounds or less gross vehicle weight,
42 ~~twelve dollars~~ \$12.

43 10. For each special ninety day resident registration PERMIT issued
44 under section 28-2154, ~~fifteen dollars~~ \$15.

1 11. For each one trip registration permit issued under section
2 28-2155, ~~one dollar~~ \$1.

3 12. For each temporary general use registration issued under
4 section 28-2156, ~~fifteen dollars~~ \$15.

5 13. For each identification plate bearing a serial or
6 identification number to be affixed to any vehicle, ~~five dollars~~ \$5.

7 B. THE DEPARTMENT MAY ESTABLISH BY RULE A FEE FOR EACH SPECIAL FIVE
8 DAY NONRESIDENT REGISTRATION PERMIT ISSUED UNDER SECTION 28-2154.

9 ~~B.~~ C. For the purposes of this section, "travel trailer" means a
10 trailer that is:

11 1. Mounted on wheels.

12 2. Designed to provide temporary living quarters for recreational,
13 camping or travel use.

14 3. Less than eight feet in width and less than forty feet in
15 length.

16 Sec. 2. Section 28-2154, Arizona Revised Statutes, is amended to
17 read:

18 28-2154. Special registrations

19 A. A nonresident who purchases an unregistered vehicle in this
20 state for removal to the state of residence of the purchaser shall obtain
21 EITHER a special ninety day nonresident registration permit OR, IF
22 APPLICABLE, A SPECIAL FIVE DAY NONRESIDENT REGISTRATION PERMIT for the
23 vehicle. The nonresident shall obtain the special ninety day nonresident
24 registration permit OR SPECIAL FIVE DAY NONRESIDENT REGISTRATION PERMIT by
25 applying to the department, to an authorized third party or to a motor
26 vehicle dealer as defined in section 28-4301 and by paying the fees
27 prescribed by section 28-2003. Unless the nonresident purchaser has
28 completed a form prescribed by section 42-5009, subsection H, an affidavit
29 in a form prescribed by the director shall accompany the application and
30 shall contain the following statements:

31 1. The purchaser is not a resident of this state as defined in
32 section 28-2001. For the purposes of this section and section 28-2154.01,
33 the purchaser shall present to the department, an authorized third party
34 or a motor vehicle dealer a driver license or other evidence prescribed by
35 the director showing that the purchaser is not a resident of this state.

36 2. The vehicle is purchased to be registered out of state within
37 ninety days after the issuance of the special ninety day nonresident
38 registration permit OR WITHIN FIVE DAYS AFTER THE ISSUANCE OF THE SPECIAL
39 FIVE DAY NONRESIDENT REGISTRATION PERMIT.

40 3. The vehicle is not purchased for transfer to a resident of this
41 state.

42 4. Other information that the director deems necessary.

43 B. At the time of application for a special ninety day nonresident
44 registration permit OR SPECIAL FIVE DAY NONRESIDENT REGISTRATION PERMIT,
45 the purchaser shall submit for inspection proper evidence of ownership of

1 the vehicle to be registered. The special ninety day nonresident
2 registration permit is valid for not more than ninety days from the date
3 of issuance AND THE SPECIAL FIVE DAY NONRESIDENT REGISTRATION PERMIT IS
4 VALID FOR NOT MORE THAN FIVE DAYS FROM THE DATE OF ISSUANCE and BOTH shall
5 be in the form prescribed by the director. A person who obtains a special
6 ninety day nonresident registration permit OR A SPECIAL FIVE DAY
7 NONRESIDENT REGISTRATION PERMIT on a semitrailer that has been
8 manufactured in this state may use the semitrailer for commercial purposes
9 if the semitrailer is being used to transport goods from this state,
10 subject to the payment of any taxes prescribed by this title.

11 C. An enrolled member of an Indian tribe who resides on the Indian
12 reservation established for that tribe and who purchases an unregistered
13 vehicle in this state for removal to the Indian reservation shall obtain a
14 special ninety day nonresident registration permit for the vehicle. The
15 member may obtain the special ninety day nonresident registration permit
16 by applying to the department, to an authorized third party or to any
17 motor vehicle dealer as defined by section 28-4301 and by payment of the
18 fees prescribed by section 28-2003.

19 D. A resident who does not have complete documentation for issuance
20 of an Arizona title and registration on a noncommercial vehicle but who
21 has established ownership of the vehicle to the satisfaction of the
22 department may receive a special ninety day resident registration by
23 applying and paying the fee prescribed by section 28-2003 to the
24 department. The basis of assessment for the full annual registration fee
25 and vehicle license tax relates back to the date of issuance of the first
26 special ninety day resident registration.

27 E. A resident may receive a second consecutive special ninety day
28 resident registration on application and payment of the fee prescribed by
29 section 28-2003 if:

- 30 1. The person has applied for a bonded title and the title has not
31 been issued during the first ninety day registration.
- 32 2. The person is awaiting settlement of an estate.
- 33 3. The person is awaiting lien clearance.
- 34 4. The person is awaiting a hearing decision as a result of a title
35 complaint.
- 36 5. The person is awaiting the issuance of honorary consular
37 official special license plates.
- 38 6. The director determines other circumstances justify the
39 issuance.

40 F. At the discretion of the director, a resident may receive more
41 than two consecutive special ninety day resident registrations for a
42 vehicle in a twelve month period.

43 G. If there is a judgment against a resident of this state in
44 another state that requires suspension of the resident's vehicle
45 registration, in lieu of suspension of the resident's vehicle registration

1 the department may issue a special temporary registration for the
2 resident's vehicle that is valid for a period of not more than one hundred
3 eighty days.

4 Sec. 3. Section 28-2154.01, Arizona Revised Statutes, is amended to
5 read:

6 28-2154.01. Special ninety day and special five day
7 nonresident registration permits; procedures

8 A. A dealer or an authorized third party that issues a special
9 ninety day nonresident registration permit OR A SPECIAL FIVE DAY
10 NONRESIDENT REGISTRATION PERMIT pursuant to section 28-2154 shall send an
11 electronic record of the permit to the department through an authorized
12 third party or through the department's authorized third-party electronic
13 service provider.

14 B. The department, an authorized third party or a dealer shall not:

15 1. Issue, assign or deliver a special ninety day nonresident
16 registration permit OR SPECIAL FIVE DAY NONRESIDENT REGISTRATION PERMIT to
17 any person unless the person does all of the following:

18 (a) Obtains the special ninety day nonresident registration permit
19 OR SPECIAL FIVE DAY NONRESIDENT REGISTRATION PERMIT pursuant to section
20 28-2154.

21 (b) Completes an affidavit in a form prescribed by the director
22 pursuant to section 28-2154 or completes a form prescribed by section
23 42-5009, subsection H.

24 (c) Presents to the department, authorized third party or motor
25 vehicle dealer a current valid driver license issued by another state
26 indicating an address outside of this state.

27 (d) Provides any other information reasonably and uniformly
28 required by the department of transportation pursuant to section 28-2154
29 or the department of revenue pursuant to section 42-5009, subsection H.

30 2. Issue and affix, as prescribed in subsection C of this section,
31 a special ninety day nonresident registration permit OR A SPECIAL FIVE DAY
32 NONRESIDENT REGISTRATION PERMIT unless the permit is recorded in the
33 electronic records of the department.

34 C. A person who issues a special ninety day nonresident
35 registration permit OR SPECIAL FIVE DAY NONRESIDENT REGISTRATION PERMIT
36 shall affix or insert, clearly and indelibly, on the face of each permit
37 the dates of issuance and expiration and the make and vehicle
38 identification number of the vehicle. The special ninety day nonresident
39 registration permit OR SPECIAL FIVE DAY NONRESIDENT REGISTRATION PERMIT
40 shall not bear the name or address of the person who purchased the vehicle
41 in a position that is legible from outside of the vehicle.

42 D. A dealer or authorized third party who issues a special ninety
43 day nonresident registration permit OR A SPECIAL FIVE DAY NONRESIDENT
44 REGISTRATION PERMIT shall maintain a record, in a form prescribed by the
45 director, of all special ninety day nonresident registration permits AND

1 SPECIAL FIVE DAY NONRESIDENT REGISTRATION PERMITS issued by the dealer or
2 authorized third party and a record of other information pertaining to the
3 issuance of special ninety day nonresident registration permits AND
4 SPECIAL FIVE DAY NONRESIDENT REGISTRATION PERMITS that the department of
5 transportation or the department of revenue requires.

6 E. The dealer or authorized third party shall keep each record for
7 at least three years after the date of entry of the record.

8 F. A dealer or authorized third party shall allow the director of
9 the department of transportation or the director of the department of
10 revenue full and free access to the records during regular business hours.

11 G. The electronic record is written notice of the removal of the
12 vehicle from this state for use in the purchaser's state of residence and
13 relieves the dealer or authorized third party of liability in accordance
14 with the requirements of section 42-5009.

15 H. If a purchaser registers the vehicle in this state within three
16 hundred sixty-five days after the issuance of the special ninety day
17 nonresident registration permit OR SPECIAL FIVE DAY NONRESIDENT
18 REGISTRATION PERMIT, the purchaser is liable in an amount equal to any
19 tax, penalty and interest that the motor vehicle dealer or authorized
20 third party would have been required to pay under title 42, chapter 5 and
21 under articles IV and VI of the model city tax code as defined in section
22 42-6051. At the time of issuing the special ninety day nonresident
23 registration permit OR SPECIAL FIVE DAY NONRESIDENT REGISTRATION PERMIT, a
24 motor vehicle dealer or authorized third party shall inform the purchaser
25 in writing of the purchaser's liability described in this
26 section. Subsequent registration or use of the vehicle in this state does
27 not create a cause of action against a dealer or authorized third party
28 that complies with section 28-2154, subsection A, this section and section
29 42-5009, subsection H.

30 I. The department of transportation and the department of revenue
31 shall jointly develop and prescribe forms for the motor vehicle dealer,
32 the authorized third party and the purchaser to complete for the proper
33 administration and enforcement of this section.

34 J. Compliance with this section and section 28-2154 allows delivery
35 of the vehicle to a nonresident purchaser in this state and retains the
36 applicable deductions pursuant to section 42-5061, subsection A, paragraph
37 28 and subsection U.

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

40 42-5009. Certificates establishing deductions; liability for
41 making false certificate; tax exclusion;
42 definitions

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

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

4 2. Obtaining a certificate executed by the purchaser indicating the
5 name and address of the purchaser, the precise nature of the business of
6 the purchaser, the purpose for which the purchase was made, the necessary
7 facts to establish the appropriate deduction and the tax license number of
8 the purchaser to the extent the deduction depends on the purchaser
9 conducting business classified under article 2 of this chapter and a
10 certification that the person executing the certificate is authorized to
11 do so on behalf of the purchaser. The certificate may be disregarded if
12 the seller has reason to believe that the information contained in the
13 certificate is not accurate or complete.

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

17 C. The department may prescribe a form for the certificate
18 described in subsection A of this section. Under such rules as it may
19 prescribe, the department may also describe transactions with respect to
20 which a person is not entitled to rely solely on the information contained
21 in the certificate provided for in subsection A of this section but must
22 instead obtain such additional information as required by the rules in
23 order to be entitled to the deduction.

24 D. If a seller is entitled to a deduction by complying with
25 subsection A of this section, the department may require the purchaser
26 that caused the execution of the certificate to establish the accuracy and
27 completeness of the information required to be contained in the
28 certificate that would entitle the seller to the deduction. If the
29 purchaser cannot establish the accuracy and completeness of the
30 information, the purchaser is liable in an amount equal to any tax,
31 penalty and interest that the seller would have been required to pay under
32 this article if the seller had not complied with subsection A of this
33 section. Payment of the amount under this subsection exempts the
34 purchaser from liability for any tax imposed under article 4 of this
35 chapter. The amount shall be treated as tax revenues collected from the
36 seller in order to designate the distribution base for purposes of section
37 42-5029.

38 E. If a seller is entitled to a deduction by complying with
39 subsection B of this section, the department may require the purchaser to
40 establish the accuracy and completeness of the information provided to the
41 seller that entitled the seller to the deduction. If the purchaser cannot
42 establish the accuracy and completeness of the information, the purchaser
43 is liable in an amount equal to any tax, penalty and interest that the
44 seller would have been required to pay under this article if the seller
45 had not complied with subsection B of this section. Payment of the amount

1 under this subsection exempts the purchaser from liability for any tax
2 imposed under article 4 of this chapter. The amount shall be treated as
3 tax revenues collected from the seller in order to designate the
4 distribution base for purposes of section 42-5029.

5 F. The department may prescribe a form for a certificate used to
6 establish entitlement to the deductions described in section 42-5061,
7 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3.
8 Under rules the department may prescribe, the department may also require
9 additional information for the seller to be entitled to the deduction. If
10 a seller is entitled to the deductions described in section 42-5061,
11 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3,
12 the department may require the purchaser who executed the certificate to
13 establish the accuracy and completeness of the information contained in
14 the certificate that would entitle the seller to the deduction. If the
15 purchaser cannot establish the accuracy and completeness of the
16 information, the purchaser is liable in an amount equal to any tax,
17 penalty and interest that the seller would have been required to pay under
18 this article. Payment of the amount under this subsection exempts the
19 purchaser from liability for any tax imposed under article 4 of this
20 chapter. The amount shall be treated as tax revenues collected from the
21 seller in order to designate the distribution base for purposes of section
22 42-5029.

23 G. If a seller claims a deduction under section 42-5061,
24 subsection A, paragraph 25 and establishes entitlement to the deduction
25 with an exemption letter that the purchaser received from the department
26 and the exemption letter was based on a contingent event, the department
27 may require the purchaser that received the exemption letter to establish
28 the satisfaction of the contingent event within a reasonable time. If the
29 purchaser cannot establish the satisfaction of the event, the purchaser is
30 liable in an amount equal to any tax, penalty and interest that the seller
31 would have been required to pay under this article if the seller had not
32 been furnished the exemption letter. Payment of the amount under this
33 subsection exempts the purchaser from liability for any tax imposed under
34 article 4 of this chapter. The amount shall be treated as tax revenues
35 collected from the seller in order to designate the distribution base for
36 purposes of section 42-5029. For the purposes of this subsection,
37 "reasonable time" means a time limitation that the department determines
38 and that does not exceed the time limitations pursuant to section 42-1104.

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

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

4 2. A copy of the nonresident registration permit authorized by
5 section 28-2154.

6 3. A legible copy of a current valid driver license issued to the
7 purchaser by another state or foreign country that indicates an address
8 outside of this state. For the sale of a motor vehicle to a nonresident
9 entity, the entity's representative must have a current valid driver
10 license issued by the same jurisdiction as that in which the entity is
11 located.

12 4. For the purposes of the deduction provided by section 42-5061,
13 subsection A, paragraph 14, **SUBDIVISION (a)**, a certificate documenting the
14 delivery of the motor vehicle to an out-of-state location.

15 I. Notwithstanding subsection A, paragraph 2 of this section, if a
16 motor vehicle dealer has established entitlement to a deduction by
17 complying with subsection H of this section, the department may require
18 the purchaser who executed the certificate to establish the accuracy and
19 completeness of the information contained in the certificate that entitled
20 the motor vehicle dealer 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 motor vehicle dealer would have been required to pay under this article
24 and under articles IV and V of the model city tax code as defined in
25 section 42-6051. Payment of the amount under this subsection exempts the
26 purchaser from liability for any tax imposed under article 4 of this
27 chapter and any tax imposed under article VI of the model city tax code as
28 defined in section 42-6051. The amount shall be treated as tax revenues
29 collected from the motor vehicle dealer in order to designate the
30 distribution base for purposes of section 42-5029.

31 J. To establish entitlement to the deduction described in section
32 42-5061, subsection A, paragraph 44, a public consignment auction dealer
33 as defined in section 28-4301 shall submit the valid certificate
34 prescribed by subsection H of this section to the department and retain a
35 copy for its records.

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

39 L. The department shall prescribe a form for a certificate to be
40 used by a person that is not subject to tax under section 42-5075 when the
41 person is engaged by a contractor that is subject to tax under section
42 42-5075 for a project that is taxable under section 42-5075. The
43 certificate permits the person purchasing tangible personal property to be
44 incorporated or fabricated by the person into any real property,
45 structure, project, development or improvement to provide documentation to

1 a retailer that the sale of tangible personal property qualifies for the
2 deduction under section 42-5061, subsection A, paragraph 27,
3 subdivision (b). A prime contractor shall obtain the certificate from the
4 department and shall provide a copy to any such person working on the
5 project. The prime contractor shall obtain a new certificate for each
6 project to which this subsection applies. For the purposes of this
7 subsection, the following apply:

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

12 2. The department shall issue the certificate to the prime
13 contractor on receiving sufficient documentation to establish that the
14 prime contractor meets the requirements of this subsection.

15 3. If any person uses the certificate provided under this
16 subsection to purchase tangible personal property to be used in a project
17 that is not subject to tax under section 42-5075, the person is liable in
18 an amount equal to any tax, penalty and interest that the seller would
19 have been required to pay under this article if the seller had not
20 complied with subsection A of this section. Payment of the amount under
21 this section exempts the person from liability for any tax imposed under
22 article 4 of this chapter. The amount shall be sourced under section
23 42-5040, subsection A, paragraph 2.

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

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

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

35 2. Persons who are engaged in the business of producing livestock
36 or poultry commercially.

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

39 O. A vendor who has reason to believe that a certificate prescribed
40 by this section is not accurate or complete will not be relieved of the
41 burden of proving entitlement to the exemption. A vendor that accepts a
42 certificate in good faith will be relieved of the burden of proof and the
43 purchaser may be required to establish the accuracy of the claimed
44 exemption. If the purchaser cannot establish the accuracy and
45 completeness of the information provided in the certificate, the purchaser

1 is liable for an amount equal to the transaction privilege tax, penalty
2 and interest that the vendor would have been required to pay if the vendor
3 had not accepted the certificate.

4 P. Notwithstanding any other law, an online lodging operator, as
5 defined in section 42-5076, shall be entitled to an exclusion from any
6 applicable taxes for any online lodging transaction, as defined in section
7 42-5076, facilitated by an online lodging marketplace, as defined in
8 section 42-5076, for which the online lodging operator has obtained from
9 the online lodging marketplace written notice that the online lodging
10 marketplace is registered with the department to collect applicable taxes
11 for all online lodging transactions facilitated by the online lodging
12 marketplace, and transaction history documenting tax collected by the
13 online lodging marketplace, pursuant to section 42-5005, subsection L.

14 Q. The department shall prescribe the form of a certificate to be
15 used by a person purchasing an aircraft to document eligibility for a
16 deduction pursuant to section 42-5061, subsection B, paragraph 8,
17 subdivision (a), item (v) or an exemption pursuant to section 42-5159,
18 subsection B, paragraph 8, subdivision (a), item (v), relating to
19 aircraft. The person must provide this certificate and documentation
20 confirming that the operational control of the aircraft has been
21 transferred or will be transferred immediately after the purchase to one
22 or more persons described in section 42-5061, subsection B, paragraph 8,
23 subdivision (a), item (i), (ii), (iii) or (iv) or section 42-5159,
24 subsection B, paragraph 8, subdivision (a), item (i), (ii), (iii) or (iv).
25 Operational control of the aircraft must be transferred for at least fifty
26 percent of the aircraft's flight hours. If such operational control is
27 not transferred for at least fifty percent of the aircraft's flight hours
28 during the recapture period, the owner of the aircraft is liable for an
29 amount equal to any tax that the seller or purchaser would have been
30 required to pay under this chapter at the time of the sale, plus penalty
31 and interest. The recapture period begins on the date that operational
32 control of the aircraft is first transferred and ends on the later of the
33 date the aircraft is fully depreciated for federal income tax purposes or
34 five years after operational control was first transferred. For the
35 purposes of this subsection, operational control of the aircraft must be
36 within the meaning of federal aviation administration operations
37 specification A008, or its successor, except that:

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

43 2. If the aircraft is sold during the recapture period, the seller
44 is not liable for the amount determined pursuant to this subsection unless
45 the operational control of the aircraft had not been transferred for at

1 least fifty percent of the aircraft's flight hours at the time of the
2 sale.

3 R. Notwithstanding any other law, a shared vehicle owner is
4 entitled to an exclusion from any applicable taxes for a shared vehicle
5 transaction that is facilitated by a peer-to-peer car sharing program and
6 for which the peer-to-peer car sharing program has collected and remitted
7 applicable taxes.

8 S. For the purposes of this section, "peer-to-peer car sharing
9 program", "shared vehicle owner" and "shared vehicle transaction" have the
10 same meanings prescribed in section 28-9601.

11 Sec. 5. Section 42-5061, Arizona Revised Statutes, as amended by
12 Laws 2021, chapter 266, section 3, chapter 412, section 7, chapter 417,
13 section 4 and chapter 443, section 2, is amended to read:

14 42-5061. Retail classification; definitions

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

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

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

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

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

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

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

37 7. The sale of stocks and bonds.

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

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

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

1 11. Prescription eyeglasses or contact lenses.

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

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

10 14. Sales of motor vehicles to nonresidents of this state for use
11 outside this state **IF ANY OF THE FOLLOWING APPLY:**

12 (a) ~~if~~ The motor vehicle dealer ships or delivers the motor vehicle
13 to a destination out of this state.

14 (b) **THE VEHICLE, TRAILER OR SEMITRAILER HAS A GROSS VEHICLE WEIGHT**
15 **RATING OF MORE THAN TEN THOUSAND POUNDS, IS USED OR MAINTAINED TO**
16 **TRANSPORT PASSENGERS OR PROPERTY IN THE FURTHERANCE OF A COMMERCIAL**
17 **ENTERPRISE AND OTHERWISE MEETS THE DEFINITION OF COMMERCIAL MOTOR VEHICLE**
18 **AS DEFINED IN SECTION 28-5201.**

19 (c) **THE VEHICLE IS AN AUTOMOBILE OR TRUCK, IS SOLD TO A NONRESIDENT**
20 **BY A MANUFACTURER LOCATED IN THIS STATE OR A MOTOR VEHICLE DEALER LOCATED**
21 **IN THIS STATE AND THE NONRESIDENT PURCHASER HAS OBTAINED A SPECIAL FIVE**
22 **DAY NONRESIDENT REGISTRATION PERMIT FOR THE VEHICLE AS PRESCRIBED IN**
23 **SECTION 28-2154. THE EXEMPTION PROVIDED IN THIS SUBDIVISION DOES NOT**
24 **INCLUDE A RECREATIONAL VEHICLE AS DEFINED IN SECTION 28-3102.**

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

27 16. Items purchased with United States department of agriculture
28 coupons issued under the supplemental nutrition assistance program
29 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;
30 7 United States Code sections 2011 through 2036b) by the United States
31 department of agriculture food and nutrition service or food instruments
32 issued under section 17 of the child nutrition act (P.L. 95-627;
33 92 Stat. 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States
34 Code section 1786).

35 17. Textbooks by any bookstore that are required by any state
36 university or community college.

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

41 19. Articles of food, drink or condiment and accessory tangible
42 personal property to a school district or charter school if such articles
43 and accessory tangible personal property are to be prepared and served to
44 persons for consumption on the premises of a public school within the
45 district or on the premises of the charter school during school hours.

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

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

10 (a) "Cash equivalents" means items or intangibles, whether or not
11 negotiable, that are sold to one or more persons, through which a value
12 denominated in money is purchased in advance and may be redeemed in full
13 or in part for tangible personal property, intangibles or services. Cash
14 equivalents include gift cards, stored value cards, gift certificates,
15 vouchers, traveler's checks, money orders or other instruments, orders or
16 electronic mechanisms, such as an electronic code, personal identification
17 number or digital payment mechanism, or any other prepaid intangible right
18 to acquire tangible personal property, intangibles or services in the
19 future, whether from the seller of the cash equivalent or from another
20 person. Cash equivalents do not include either of the following:

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

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

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

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

32 22. Motor vehicle fuel and use fuel that are subject to a tax
33 imposed under title 28, chapter 16, article 1, sales of use fuel to a
34 holder of a valid single trip use fuel tax permit issued under section
35 28-5739, sales of aviation fuel that are subject to the tax imposed under
36 section 28-8344 and sales of jet fuel that are subject to the tax imposed
37 under article 8 of this chapter.

38 23. Tangible personal property sold to a person engaged in the
39 business of leasing or renting such property under the personal property
40 rental classification if such property is to be leased or rented by such
41 person.

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

1 25. Tangible personal property sold to:

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

3 (b) A qualifying health care organization as defined in section
4 42-5001 if the tangible personal property is used by the organization
5 solely to provide health and medical related educational and charitable
6 services.

7 (c) A qualifying health care organization as defined in section
8 42-5001 if the organization is dedicated to providing educational,
9 therapeutic, rehabilitative and family medical education training for
10 blind and visually impaired children and children with multiple
11 disabilities from the time of birth to age twenty-one.

12 (d) A qualifying community health center as defined in section
13 42-5001.

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

17 (f) For taxable periods beginning from and after June 30, 2001, a
18 nonprofit charitable organization that has qualified under section
19 501(c)(3) of the internal revenue code and that provides residential
20 apartment housing for low-income persons over sixty-two years of age in a
21 facility that qualifies for a federal housing subsidy, if the tangible
22 personal property is used by the organization solely to provide
23 residential apartment housing for low-income persons over sixty-two years
24 of age in a facility that qualifies for a federal housing subsidy.

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

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

31 26. Magazines or other periodicals or other publications by this
32 state to encourage tourist travel.

33 27. Tangible personal property sold to:

34 (a) A person that is subject to tax under this article by reason of
35 being engaged in business classified under section 42-5075 or to a
36 subcontractor working under the control of a person engaged in business
37 classified under section 42-5075, if the property so sold is any of the
38 following:

39 (i) Incorporated or fabricated by the person into any real
40 property, structure, project, development or improvement as part of the
41 business.

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

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

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

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

11 29. Tangible personal property purchased in this state by a
12 nonprofit charitable organization that has qualified under section
13 501(c)(3) of the United States internal revenue code and that engages in
14 and uses such property exclusively in programs for persons with mental or
15 physical disabilities if the programs are exclusively for training, job
16 placement, rehabilitation or testing.

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

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

35 32. Sales of tangible personal property by a nonprofit organization
36 that is exempt from taxation under section 501(c)(3), 501(c)(4),
37 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code if the
38 organization sponsors or operates a rodeo featuring primarily farm and
39 ranch animals and no part of the organization's net earnings inures to the
40 benefit of any private shareholder or individual.

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

1 (a) Includes seeds, seedlings, roots, bulbs, liners, transplants,
2 cuttings, soil and plant additives, agricultural minerals, auxiliary soil
3 and plant substances, micronutrients, fertilizers, insecticides,
4 herbicides, fungicides, soil fumigants, desiccants, rodenticides,
5 adjuvants, plant nutrients and plant growth regulators.

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

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

15 35. Sales of natural gas or liquefied petroleum gas used to propel
16 a motor vehicle.

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

20 37. Coal, petroleum, coke, natural gas, virgin fuel oil and
21 electricity sold to a qualified environmental technology manufacturer,
22 producer or processor as defined in section 41-1514.02 and directly used
23 or consumed in generating or providing on-site power or energy solely for
24 environmental technology manufacturing, producing or processing or
25 environmental protection. This paragraph applies for twenty full
26 consecutive calendar or fiscal years from the date the first paper
27 manufacturing machine is placed in service. In the case of an
28 environmental technology manufacturer, producer or processor that does not
29 manufacture paper, the time period begins with the date the first
30 manufacturing, processing or production equipment is placed in service.

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

1 39. Through December 31, 1994, personal property liquidation
2 transactions, conducted by a personal property liquidator. From and after
3 December 31, 1994, personal property liquidation transactions shall be
4 taxable under this section provided that nothing in this subsection shall
5 be construed to authorize the taxation of casual activities or
6 transactions under this chapter. For the purposes of this paragraph:

7 (a) "Personal property liquidation transaction" means a sale of
8 personal property made by a personal property liquidator acting solely on
9 behalf of the owner of the personal property sold at the dwelling of the
10 owner or on the death of any owner, on behalf of the surviving spouse, if
11 any, any devisee or heir or the personal representative of the estate of
12 the deceased, if one has been appointed.

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

15 40. Sales of food, drink and condiment for consumption within the
16 premises of any prison, jail or other institution under the jurisdiction
17 of the state department of corrections, the department of public safety,
18 the department of juvenile corrections or a county sheriff.

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

24 42. Sales of:

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

27 (b) Livestock and poultry feed, salts, vitamins and other additives
28 for livestock or poultry consumption that are sold to persons for use or
29 consumption by their own livestock or poultry, for use or consumption in
30 the businesses of farming, ranching and producing or feeding livestock,
31 poultry, or livestock or poultry products or for use or consumption in
32 noncommercial boarding of livestock. For the purposes of this paragraph,
33 "poultry" includes ratites.

34 43. Sales of implants used as growth promotants and injectable
35 medicines, not already exempt under paragraph 8 of this subsection, for
36 livestock or poultry owned by or in possession of persons that are engaged
37 in producing livestock, poultry, or livestock or poultry products or that
38 are engaged in feeding livestock or poultry commercially. For the
39 purposes of this paragraph, "poultry" includes ratites.

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

44 45. Tangible personal property sold to a person engaged in business
45 and subject to tax under the transient lodging classification if the

1 tangible personal property is a personal hygiene item or articles used by
2 human beings for food, drink or condiment, except alcoholic beverages,
3 that are furnished without additional charge to and intended to be
4 consumed by the transient during the transient's occupancy.

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

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

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

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

14 48. Tangible personal property sold to a commercial airline and
15 consisting of food, beverages and condiments and accessories used for
16 serving the food and beverages, if those items are to be provided without
17 additional charge to passengers for consumption in flight. For the
18 purposes of this paragraph, "commercial airline" means a person holding a
19 federal certificate of public convenience and necessity or foreign air
20 carrier permit for air transportation to transport persons, property or
21 United States mail in intrastate, interstate or foreign commerce.

22 49. Sales of alternative fuel vehicles if the vehicle was
23 manufactured as a diesel fuel vehicle and converted to operate on
24 alternative fuel and equipment that is installed in a conventional diesel
25 fuel motor vehicle to convert the vehicle to operate on an alternative
26 fuel, as defined in section 1-215.

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

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

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

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

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

1 (b) "Curriculum design or enhancement" means planning, implementing
2 or reporting on courses of study, lessons, assignments or other learning
3 activities.

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

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

12 56. Sales or other transfers of renewable energy credits or any
13 other unit created to track energy derived from renewable energy
14 resources. For the purposes of this paragraph, "renewable energy credit"
15 means a unit created administratively by the corporation commission or
16 governing body of a public power utility to track kilowatt hours of
17 electricity derived from a renewable energy resource or the kilowatt hour
18 equivalent of conventional energy resources displaced by distributed
19 renewable energy resources.

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

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

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

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

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

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

44 60. Sales of tangible personal property by a marketplace seller
45 that are facilitated by a marketplace facilitator in which the marketplace

1 facilitator has remitted or will remit the applicable tax to the
2 department pursuant to section 42-5014.

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

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

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

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

28 4. Machinery, equipment or transmission lines used directly in
29 producing or transmitting electrical power, but not including
30 distribution. Transformers and control equipment used at transmission
31 substation sites constitute equipment used in producing or transmitting
32 electrical power.

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

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

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

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

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

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

9 8. Aircraft, navigational and communication instruments and other
10 accessories and related equipment sold to:

11 (a) A person:

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

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

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

25 (iv) Operating an aircraft to transport persons in any manner for
26 compensation or hire, or for use in a fractional ownership program that
27 meets the requirements of federal aviation administration regulations
28 (14 Code of Federal Regulations part 91, subpart K), including as an air
29 carrier, a foreign air carrier or a commercial operator or under a
30 restricted category, within the meaning of 14 Code of Federal Regulations,
31 regardless of whether the operation or aircraft is regulated or certified
32 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code
33 of Federal Regulations.

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

39 (b) Any foreign government.

40 (c) Persons who are not residents of this state and who will not
41 use such property in this state other than in removing such property from
42 this state. This subdivision also applies to corporations that are not
43 incorporated in this state, regardless of maintaining a place of business
44 in this state, if the principal corporate office is located outside this

1 state and the property will not be used in this state other than in
2 removing the property from this state.

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

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

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

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

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

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

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

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

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

1 research and development, or other nontechnological activities or
2 technical services.

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

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

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

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

15 (ii) Over two-thirds of the transmissions, measured in megabytes,
16 transmitted by or on behalf of those direct broadcast television or data
17 transmission services during the test period were transmitted by the
18 facility to or on behalf of those services. For the purposes of
19 subdivision (b) of this paragraph, "test period" means the three hundred
20 sixty-five day period beginning on the later of the date on which the
21 tangible personal property is purchased or the date on which the direct
22 broadcast satellite television or data transmission service first
23 transmits information to its customers.

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

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

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

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

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

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

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

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

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

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

34 22. Qualifying equipment that is purchased from and after June 30,
35 2004 through June 30, 2024 by a qualified business under section 41-1516
36 for harvesting or processing qualifying forest products removed from
37 qualifying projects as defined in section 41-1516. To qualify for this
38 deduction, the qualified business at the time of purchase must present its
39 certification approved by the department.

40 23. Computer data center equipment sold to the owner, operator or
41 qualified colocation tenant of a computer data center that is certified by
42 the Arizona commerce authority under section 41-1519 or an authorized
43 agent of the owner, operator or qualified colocation tenant during the
44 qualification period for use in the qualified computer data center. For
45 the purposes of this paragraph, "computer data center", "computer data

1 center equipment", "qualification period" and "qualified colocation
2 tenant" have the same meanings prescribed in section 41-1519.

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

5 1. Expendable materials. For the purposes of this paragraph,
6 expendable materials do not include any of the categories of tangible
7 personal property specified in subsection B of this section regardless of
8 the cost or useful life of that property.

9 2. Janitorial equipment and hand tools.

10 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

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

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

41 G. If a person is engaged in the business of selling tangible
42 personal property at both wholesale and retail, the tax under this section
43 applies only to the gross proceeds of the sales made other than at
44 wholesale if the person's books are kept so as to show separately the
45 gross proceeds of sales of each class, and if the books are not so kept,

1 the tax under this section applies to the gross proceeds of every sale so
2 made.

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

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

14 2. Businesses classified under the:

15 (a) Transporting classification.

16 (b) Utilities classification.

17 (c) Telecommunications classification.

18 (d) Pipeline classification.

19 (e) Private car line classification.

20 (f) Publication classification.

21 (g) Job printing classification.

22 (h) Prime contracting classification.

23 (i) Restaurant classification.

24 I. The gross proceeds of sales or gross income derived from the
25 following shall be deducted from the tax base for the retail
26 classification:

27 1. Sales made directly to the United States government or its
28 departments or agencies by a manufacturer, modifier, assembler or
29 repairer.

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

34 3. Overhead materials or other tangible personal property that is
35 used in performing a contract between the United States government and a
36 manufacturer, modifier, assembler or repairer, including property used in
37 performing a subcontract with a government contractor who is a
38 manufacturer, modifier, assembler or repairer, to which title passes to
39 the government under the terms of the contract or subcontract.

40 4. Sales of overhead materials or other tangible personal property
41 to a manufacturer, modifier, assembler or repairer if the gross proceeds
42 of sales or gross income derived from the property by the manufacturer,
43 modifier, assembler or repairer will be exempt under paragraph 3 of this
44 subsection.

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

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

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

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

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

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

21 N. In computing the tax base in the case of the sale or transfer of
22 wireless telecommunications equipment as an inducement to a customer to
23 enter into or continue a contract for telecommunications services that are
24 taxable under section 42-5064, gross proceeds of sales or gross income
25 does not include any sales commissions or other compensation received by
26 the retailer as a result of the customer entering into or continuing a
27 contract for the telecommunications services.

28 O. For the purposes of this section, a sale of wireless
29 telecommunications equipment to a person who holds the equipment for sale
30 or transfer to a customer as an inducement to enter into or continue a
31 contract for telecommunications services that are taxable under section
32 42-5064 is considered to be a sale for resale in the regular course of
33 business.

34 P. Retail sales of prepaid calling cards or prepaid authorization
35 numbers for telecommunications services, including sales of
36 reauthorization of a prepaid card or authorization number, are subject to
37 tax under this section.

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

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

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

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

5 1. The transfer of title or possession of the coal is for the
6 purpose of refining the coal.

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

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

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

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

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

37 U. In computing the tax base for the sale of a motor vehicle to a
38 nonresident of this state, if the purchaser's state of residence allows a
39 corresponding use tax exemption to the tax imposed by article 1 of this
40 chapter and the rate of the tax in the purchaser's state of residence is
41 lower than the rate prescribed in article 1 of this chapter or if the
42 purchaser's state of residence does not impose an excise tax, and 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,
45 there shall be deducted from the tax base a portion of the gross proceeds

1 or gross income from the sale so that the amount of transaction privilege
2 tax that is paid in this state is equal to the excise tax that is imposed
3 by the purchaser's state of residence on the nonexempt sale or use of the
4 motor vehicle.

5 V. For the purposes of this section:

6 1. "Agricultural aircraft" means an aircraft that is built for
7 agricultural use for the aerial application of pesticides or fertilizer or
8 for aerial seeding.

9 2. "Aircraft" includes:

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

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

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

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

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

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

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

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

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

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

44 6. "Subcontract" means an agreement between a contractor and any
45 person who is not an employee of the contractor for furnishing supplies

1 or services that, in whole or in part, are necessary to perform one or
2 more government contracts, or under which any portion of the contractor's
3 obligation under one or more government contracts is performed, undertaken
4 or assumed and that includes provisions causing title to overhead
5 materials or other tangible personal property used in performing the
6 subcontract to pass to the government or that includes provisions
7 incorporating such title passing clauses in a government contract into the
8 subcontract.

9 Sec. 6. Section 42-5061, Arizona Revised Statutes, as amended by
10 Laws 2021, chapter 266, section 4, chapter 412, section 8, chapter 417,
11 section 5 and chapter 443, section 3, is amended to read:

12 42-5061. Retail classification; definitions

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

18 1. Professional or personal service occupations or businesses that
19 involve sales or transfers of tangible personal property only as
20 inconsequential elements.

21 2. Services rendered in addition to selling tangible personal
22 property at retail.

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

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

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

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

35 7. The sale of stocks and bonds.

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

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

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

44 11. Prescription eyeglasses or contact lenses.

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

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

8 14. Sales of motor vehicles to nonresidents of this state for use
9 outside this state **IF ANY OF THE FOLLOWING APPLY:**

10 (a) ~~if~~ The motor vehicle dealer ships or delivers the motor vehicle
11 to a destination out of this state.

12 (b) **THE VEHICLE, TRAILER OR SEMITRAILER HAS A GROSS VEHICLE WEIGHT**
13 **RATING OF MORE THAN TEN THOUSAND POUNDS, IS USED OR MAINTAINED TO**
14 **TRANSPORT PASSENGERS OR PROPERTY IN THE FURTHERANCE OF A COMMERCIAL**
15 **ENTERPRISE AND OTHERWISE MEETS THE DEFINITION OF COMMERCIAL MOTOR VEHICLE**
16 **AS DEFINED IN SECTION 28-5201.**

17 (c) **THE VEHICLE IS AN AUTOMOBILE OR TRUCK, IS SOLD TO A NONRESIDENT**
18 **BY A MANUFACTURER LOCATED IN THIS STATE OR A MOTOR VEHICLE DEALER LOCATED**
19 **IN THIS STATE AND THE NONRESIDENT PURCHASER HAS OBTAINED A SPECIAL FIVE**
20 **DAY NONRESIDENT REGISTRATION PERMIT FOR THE VEHICLE AS PRESCRIBED IN**
21 **SECTION 28-2154. THE EXEMPTION PROVIDED IN THIS SUBDIVISION DOES NOT**
22 **INCLUDE A RECREATIONAL VEHICLE AS DEFINED IN SECTION 28-3102.**

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

25 16. Items purchased with United States department of agriculture
26 coupons issued under the supplemental nutrition assistance program
27 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;
28 7 United States Code sections 2011 through 2036b) by the United States
29 department of agriculture food and nutrition service or food instruments
30 issued under section 17 of the child nutrition act (P.L. 95-627; 92 Stat.
31 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States Code
32 section 1786).

33 17. Textbooks by any bookstore that are required by any state
34 university or community college.

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

39 19. Articles of food, drink or condiment and accessory tangible
40 personal property to a school district or charter school if such articles
41 and accessory tangible personal property are to be prepared and served to
42 persons for consumption on the premises of a public school within the
43 district or on the premises of the charter school during school hours.

44 20. Lottery tickets or shares pursuant to title 5, chapter 5.1,
45 article 1.

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

8 (a) "Cash equivalents" means items or intangibles, whether or not
9 negotiable, that are sold to one or more persons, through which a value
10 denominated in money is purchased in advance and may be redeemed in full
11 or in part for tangible personal property, intangibles or services. Cash
12 equivalents include gift cards, stored value cards, gift certificates,
13 vouchers, traveler's checks, money orders or other instruments, orders or
14 electronic mechanisms, such as an electronic code, personal identification
15 number or digital payment mechanism, or any other prepaid intangible right
16 to acquire tangible personal property, intangibles or services in the
17 future, whether from the seller of the cash equivalent or from another
18 person. Cash equivalents do not include either of the following:

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

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

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

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

30 22. 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, sales of aviation fuel that are subject to the tax imposed under
34 section 28-8344 and sales of jet fuel that are subject to the tax imposed
35 under article 8 of this chapter.

36 23. Tangible personal property sold to a person engaged in the
37 business of leasing or renting such property under the personal property
38 rental classification if such property is to be leased or rented by such
39 person.

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

43 25. Tangible personal property sold to:

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

1 (b) A qualifying health care organization as defined in section
2 42-5001 if the tangible personal property is used by the organization
3 solely to provide health and medical related educational and charitable
4 services.

5 (c) A qualifying health care organization as defined in section
6 42-5001 if the organization is dedicated to providing educational,
7 therapeutic, rehabilitative and family medical education training for
8 blind and visually impaired children and children with multiple
9 disabilities from the time of birth to age twenty-one.

10 (d) A qualifying community health center as defined in section
11 42-5001.

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

15 (f) For taxable periods beginning from and after June 30, 2001, a
16 nonprofit charitable organization that has qualified under section
17 501(c)(3) of the internal revenue code and that provides residential
18 apartment housing for low-income persons over sixty-two years of age in a
19 facility that qualifies for a federal housing subsidy, if the tangible
20 personal property is used by the organization solely to provide
21 residential apartment housing for low-income persons over sixty-two years
22 of age in a facility that qualifies for a federal housing subsidy.

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

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

29 26. Magazines or other periodicals or other publications by this
30 state to encourage tourist travel.

31 27. Tangible personal property sold to:

32 (a) A person that is subject to tax under this article by reason of
33 being engaged in business classified under section 42-5075 or to a
34 subcontractor working under the control of a person engaged in business
35 classified under section 42-5075, if the property so sold is any of the
36 following:

37 (i) Incorporated or fabricated by the person into any real
38 property, structure, project, development or improvement as part of the
39 business.

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

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

44 (b) A person that is not subject to tax under section 42-5075 and
45 that has been provided a copy of a certificate under section 42-5009,

1 subsection L, if the property so sold is incorporated or fabricated by the
2 person into the real property, structure, project, development or
3 improvement described in the certificate.

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

9 29. Tangible personal property purchased in this state by a
10 nonprofit charitable organization that has qualified under section
11 501(c)(3) of the United States internal revenue code and that engages in
12 and uses such property exclusively in programs for persons with mental or
13 physical disabilities if the programs are exclusively for training, job
14 placement, rehabilitation or testing.

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

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

33 32. Sales of tangible personal property by a nonprofit organization
34 that is exempt from taxation under section 501(c)(3), 501(c)(4),
35 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code if the
36 organization sponsors or operates a rodeo featuring primarily farm and
37 ranch animals and no part of the organization's net earnings inures to the
38 benefit of any private shareholder or individual.

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

43 (a) Includes seeds, seedlings, roots, bulbs, liners, transplants,
44 cuttings, soil and plant additives, agricultural minerals, auxiliary soil
45 and plant substances, micronutrients, fertilizers, insecticides,

1 herbicides, fungicides, soil fumigants, desiccants, rodenticides,
2 adjuvants, plant nutrients and plant growth regulators.

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

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

12 35. Sales of natural gas or liquefied petroleum gas used to propel
13 a motor vehicle.

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

17 37. Petroleum, coke, natural gas, virgin fuel oil and electricity
18 sold to a qualified environmental technology manufacturer, producer or
19 processor as defined in section 41-1514.02 and directly used or consumed
20 in generating or providing on-site power or energy solely for
21 environmental technology manufacturing, producing or processing or
22 environmental protection. This paragraph applies for twenty full
23 consecutive calendar or fiscal years from the date the first paper
24 manufacturing machine is placed in service. In the case of an
25 environmental technology manufacturer, producer or processor that does not
26 manufacture paper, the time period begins with the date the first
27 manufacturing, processing or production equipment is placed in service.

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

41 39. Through December 31, 1994, personal property liquidation
42 transactions, conducted by a personal property liquidator. From and after
43 December 31, 1994, personal property liquidation transactions shall be
44 taxable under this section provided that nothing in this subsection shall

1 be construed to authorize the taxation of casual activities or
2 transactions under this chapter. For the purposes of this paragraph:

3 (a) "Personal property liquidation transaction" means a sale of
4 personal property made by a personal property liquidator acting solely on
5 behalf of the owner of the personal property sold at the dwelling of the
6 owner or on the death of any owner, on behalf of the surviving spouse, if
7 any, any devisee or heir or the personal representative of the estate of
8 the deceased, if one has been appointed.

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

11 40. Sales of food, drink and condiment for consumption within the
12 premises of any prison, jail or other institution under the jurisdiction
13 of the state department of corrections, the department of public safety,
14 the department of juvenile corrections or a county sheriff.

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

20 42. Sales of:

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

23 (b) Livestock and poultry feed, salts, vitamins and other additives
24 for livestock or poultry consumption that are sold to persons for use or
25 consumption by their own livestock or poultry, for use or consumption in
26 the businesses of farming, ranching and producing or feeding livestock,
27 poultry, or livestock or poultry products or for use or consumption in
28 noncommercial boarding of livestock. For the purposes of this paragraph,
29 "poultry" includes ratites.

30 43. Sales of implants used as growth promotants and injectable
31 medicines, not already exempt under paragraph 8 of this subsection, for
32 livestock or poultry owned by or in possession of persons that are engaged
33 in producing livestock, poultry, or livestock or poultry products or that
34 are engaged in feeding livestock or poultry commercially. For the
35 purposes of this paragraph, "poultry" includes ratites.

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

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

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

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

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

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

10 48. Tangible personal property sold to a commercial airline and
11 consisting of food, beverages and condiments and accessories used for
12 serving the food and beverages, if those items are to be provided without
13 additional charge to passengers for consumption in flight. For the
14 purposes of this paragraph, "commercial airline" means a person holding a
15 federal certificate of public convenience and necessity or foreign air
16 carrier permit for air transportation to transport persons, property or
17 United States mail in intrastate, interstate or foreign commerce.

18 49. Sales of alternative fuel vehicles if the vehicle was
19 manufactured as a diesel fuel vehicle and converted to operate on
20 alternative fuel and equipment that is installed in a conventional diesel
21 fuel motor vehicle to convert the vehicle to operate on an alternative
22 fuel, as defined in section 1-215.

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

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

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

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

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

40 (b) "Curriculum design or enhancement" means planning, implementing
41 or reporting on courses of study, lessons, assignments or other learning
42 activities.

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

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

9 56. Sales or other transfers of renewable energy credits or any
10 other unit created to track energy derived from renewable energy
11 resources. For the purposes of this paragraph, "renewable energy credit"
12 means a unit created administratively by the corporation commission or
13 governing body of a public power utility to track kilowatt hours of
14 electricity derived from a renewable energy resource or the kilowatt hour
15 equivalent of conventional energy resources displaced by distributed
16 renewable energy resources.

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

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

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

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

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

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

41 60. Sales of coal.

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

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

5 1. Machinery, or equipment, used directly in manufacturing,
6 processing, fabricating, job printing, refining or metallurgical
7 operations. The terms "manufacturing", "processing", "fabricating", "job
8 printing", "refining" and "metallurgical" as used in this paragraph refer
9 to and include those operations commonly understood within their ordinary
10 meaning. "Metallurgical operations" includes leaching, milling,
11 precipitating, smelting and refining.

12 2. Mining machinery, or equipment, used directly in the process of
13 extracting ores or minerals from the earth for commercial purposes,
14 including equipment required to prepare the materials for extraction and
15 handling, loading or transporting such extracted material to the surface.
16 "Mining" includes underground, surface and open pit operations for
17 extracting ores and minerals.

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

26 4. Machinery, equipment or transmission lines used directly in
27 producing or transmitting electrical power, but not including
28 distribution. Transformers and control equipment used at transmission
29 substation sites constitute equipment used in producing or transmitting
30 electrical power.

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

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

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

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

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

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

9 8. Aircraft, navigational and communication instruments and other
10 accessories and related equipment sold to:

11 (a) A person:

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

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

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

25 (iv) Operating an aircraft to transport persons in any manner for
26 compensation or hire, or for use in a fractional ownership program that
27 meets the requirements of federal aviation administration regulations
28 (14 Code of Federal Regulations part 91, subpart K), including as an air
29 carrier, a foreign air carrier or a commercial operator or under a
30 restricted category, within the meaning of 14 Code of Federal Regulations,
31 regardless of whether the operation or aircraft is regulated or certified
32 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code
33 of Federal Regulations.

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

39 (b) Any foreign government.

40 (c) Persons who are not residents of this state and who will not
41 use such property in this state other than in removing such property from
42 this state. This subdivision also applies to corporations that are not
43 incorporated in this state, regardless of maintaining a place of business
44 in this state, if the principal corporate office is located outside this

1 state and the property will not be used in this state other than in
2 removing the property from this state.

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

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

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

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

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

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

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

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

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

1 research and development, or other nontechnological activities or
2 technical services.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

34 22. Qualifying equipment that is purchased from and after June 30,
35 2004 through June 30, 2024 by a qualified business under section 41-1516
36 for harvesting or processing qualifying forest products removed from
37 qualifying projects as defined in section 41-1516. To qualify for this
38 deduction, the qualified business at the time of purchase must present its
39 certification approved by the department.

40 23. Computer data center equipment sold to the owner, operator or
41 qualified colocation tenant of a computer data center that is certified by
42 the Arizona commerce authority under section 41-1519 or an authorized
43 agent of the owner, operator or qualified colocation tenant during the
44 qualification period for use in the qualified computer data center. For
45 the purposes of this paragraph, "computer data center", "computer data

1 center equipment", "qualification period" and "qualified colocation
2 tenant" have the same meanings prescribed in section 41-1519.

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

5 1. Expendable materials. For the purposes of this paragraph,
6 expendable materials do not include any of the categories of tangible
7 personal property specified in subsection B of this section regardless of
8 the cost or useful life of that property.

9 2. Janitorial equipment and hand tools.

10 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

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

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

41 G. If a person is engaged in the business of selling tangible
42 personal property at both wholesale and retail, the tax under this section
43 applies only to the gross proceeds of the sales made other than at
44 wholesale if the person's books are kept so as to show separately the
45 gross proceeds of sales of each class, and if the books are not so kept,

1 the tax under this section applies to the gross proceeds of every sale so
2 made.

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

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

14 2. Businesses classified under the:

15 (a) Transporting classification.

16 (b) Utilities classification.

17 (c) Telecommunications classification.

18 (d) Pipeline classification.

19 (e) Private car line classification.

20 (f) Publication classification.

21 (g) Job printing classification.

22 (h) Prime contracting classification.

23 (i) Restaurant classification.

24 I. The gross proceeds of sales or gross income derived from the
25 following shall be deducted from the tax base for the retail
26 classification:

27 1. Sales made directly to the United States government or its
28 departments or agencies by a manufacturer, modifier, assembler or
29 repairer.

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

34 3. Overhead materials or other tangible personal property that is
35 used in performing a contract between the United States government and a
36 manufacturer, modifier, assembler or repairer, including property used in
37 performing a subcontract with a government contractor who is a
38 manufacturer, modifier, assembler or repairer, to which title passes to
39 the government under the terms of the contract or subcontract.

40 4. Sales of overhead materials or other tangible personal property
41 to a manufacturer, modifier, assembler or repairer if the gross proceeds
42 of sales or gross income derived from the property by the manufacturer,
43 modifier, assembler or repairer will be exempt under paragraph 3 of this
44 subsection.

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

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

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

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

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

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

21 N. In computing the tax base in the case of the sale or transfer of
22 wireless telecommunications equipment as an inducement to a customer to
23 enter into or continue a contract for telecommunications services that are
24 taxable under section 42-5064, gross proceeds of sales or gross income
25 does not include any sales commissions or other compensation received by
26 the retailer as a result of the customer entering into or continuing a
27 contract for the telecommunications services.

28 O. For the purposes of this section, a sale of wireless
29 telecommunications equipment to a person who holds the equipment for sale
30 or transfer to a customer as an inducement to enter into or continue a
31 contract for telecommunications services that are taxable under section
32 42-5064 is considered to be a sale for resale in the regular course of
33 business.

34 P. Retail sales of prepaid calling cards or prepaid authorization
35 numbers for telecommunications services, including sales of
36 reauthorization of a prepaid card or authorization number, are subject to
37 tax under this section.

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

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

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

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

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

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

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

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

38 U. For the purposes of this section:

39 1. "Agricultural aircraft" means an aircraft that is built for
40 agricultural use for the aerial application of pesticides or fertilizer or
41 for aerial seeding.

42 2. "Aircraft" includes:

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

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

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

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

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

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

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

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

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

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

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

1 Sec. 7. Section 42-6004, Arizona Revised Statutes, as amended by
2 Laws 2021, chapter 417, section 10, is amended to read:

3 42-6004. Exemption from municipal tax; definitions

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

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

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

22 3. Sales of warranty or service contracts.

23 4. Sales of motor vehicles to nonresidents of this state for use
24 outside this state **IF ANY OF THE FOLLOWING APPLY:**

25 (a) ~~if~~ The motor vehicle dealer ships or delivers the motor vehicle
26 to a destination out of this state.

27 (b) **THE VEHICLE, TRAILER OR SEMITRAILER HAS A GROSS VEHICLE WEIGHT**
28 **RATING OF MORE THAN TEN THOUSAND POUNDS, IS USED OR MAINTAINED TO**
29 **TRANSPORT PASSENGERS OR PROPERTY IN THE FURTHERANCE OF A COMMERCIAL**
30 **ENTERPRISE AND OTHERWISE MEETS THE DEFINITION OF COMMERCIAL MOTOR VEHICLE**
31 **AS DEFINED IN SECTION 28-5201.**

32 (c) **THE VEHICLE IS AN AUTOMOBILE OR TRUCK, IS SOLD TO A NONRESIDENT**
33 **BY A MANUFACTURER LOCATED IN THIS STATE OR A MOTOR VEHICLE DEALER LOCATED**
34 **IN THIS STATE AND THE NONRESIDENT PURCHASER HAS OBTAINED A SPECIAL FIVE**
35 **DAY NONRESIDENT REGISTRATION PERMIT FOR THE VEHICLE AS PRESCRIBED IN**
36 **SECTION 28-2154. THE EXEMPTION PROVIDED IN THIS SUBDIVISION DOES NOT**
37 **INCLUDE A RECREATIONAL VEHICLE AS DEFINED IN SECTION 28-3102.**

38 5. Interest on finance contracts.

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

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

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

1 (a) "Internet" means the computer and telecommunications facilities
2 that comprise the interconnected worldwide network of networks that employ
3 the transmission control protocol or internet protocol, or any predecessor
4 or successor protocol, to communicate information of all kinds by wire or
5 radio.

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

10 9. The gross proceeds of sales or gross income retained by the
11 Arizona exposition and state fair board from ride ticket sales at the
12 annual Arizona state fair.

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

15 (a) "Affiliated companies, businesses, persons or reciprocal
16 insurers" means the lessor holds a controlling interest in the lessee, the
17 lessee holds a controlling interest in the lessor, affiliated persons hold
18 a controlling interest in both the lessor and the lessee, or an unrelated
19 person holds a controlling interest in both the lessor and lessee.

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

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

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

28 (e) "Reciprocal insurer" has the same meaning prescribed in section
29 20-762.

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

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

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

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

43 (iii) Any activity that is related to the activities described in
44 items (i) and (ii) of this subdivision, including inspecting the

1 installation of or testing the machinery, equipment or other tangible
2 personal property.

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

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

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

16 (i) Assembling the machinery, equipment or other tangible personal
17 property.

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

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

23 (iv) Stabilizing or protecting the machinery, equipment or other
24 tangible personal property during operation by bolting, burying or
25 performing other dissimilar nonpermanent connections to either real
26 property or real property improvements.

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

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

39 14. The gross proceeds of sales or gross income derived from a
40 contract with the owner of real property or improvements to real property
41 for the maintenance, repair, replacement or alteration of existing
42 property, except as specified in this paragraph. The gross proceeds of
43 sales or gross income derived from a de minimis amount of modification
44 activity does not subject the contract or any part of the contract to tax.
45 For the purposes of this paragraph:

1 (a) Each contract is independent of another contract, except that
2 any change order that directly relates to the scope of work of the
3 original contract shall be treated the same as the original contract under
4 this paragraph, regardless of the amount of modification activities
5 included in the change order. If a change order does not directly relate
6 to the scope of work of the original contract, the change order shall be
7 treated as a new contract, with the tax treatment of any subsequent change
8 order to follow the tax treatment of the contract to which the scope of
9 work of the subsequent change order directly relates.

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

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

20 (i) Community facilities districts, fire districts, county
21 television improvement districts, community park maintenance districts,
22 cotton pest control districts, hospital districts, pest abatement
23 districts, health service districts, agricultural improvement districts,
24 county free library districts, county jail districts, county stadium
25 districts, special health care districts, public health services
26 districts, theme park districts or revitalization districts.

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

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

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

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

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

42 (b) The title or possession of the coal is transferred back to the
43 owner or operator of the power plant after completion of the coal refining
44 process. For the purposes of this subdivision, "coal refining process"
45 means the application of a coal additive system that aids the reduction of

1 power plant emissions during the combustion of coal and the treatment of
2 flue gas.

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

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

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

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

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

22 (a) By a person that is engaged in the business of providing or
23 furnishing electrical services or telecommunication services or that is a
24 cable operator.

25 (b) To a person that is engaged in the business of providing or
26 furnishing electrical services or telecommunication services or that is a
27 cable operator.

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

32 21. The gross proceeds of sales or gross income derived from entry
33 fees paid by participants for events that are operated or conducted by
34 nonprofit organizations that are exempt from taxation under section
35 501(c)(3) of the internal revenue code and of which no part of the
36 organization's net earnings inures to the benefit of any private
37 shareholder or individual, if the event consists of a run, walk, swim or
38 bicycle ride or a similar event, or any combination of these events.

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

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

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

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

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

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

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

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

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

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

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

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

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

40 (b) The attributable amount is equal to the total amount of
41 development fees paid by the taxpayer or by a contractor providing
42 services to the taxpayer and the total development fees credited in
43 exchange for the construction of, contribution to or dedication of real
44 property for providing public infrastructure, public safety or other

1 public services necessary to the development. The real property must be
2 the subject of the development fees.

3 (c) "Development fees" means fees imposed to offset capital costs
4 of providing public infrastructure, public safety or other public services
5 to a development and authorized pursuant to section 9-463.05, section
6 11-1102 or title 48 regardless of the jurisdiction to which the fees are
7 paid.

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

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

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

15 10. Transporting for hire persons by vehicle for hire drivers on
16 transactions involving vehicle for hire services as defined in section
17 28-9501.

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

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

28 1. A manufacturer's cash rebate on the sales price of a motor
29 vehicle if the buyer assigns the buyer's right in the rebate to the
30 retailer.

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

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

35 G. A city, town or taxing jurisdiction shall not levy a transaction
36 privilege, sales, gross receipts, use, franchise or other similar tax or
37 fee, however denominated, on gross proceeds of sales or gross income
38 derived from over-the-top services. For the purposes of this subsection,
39 "over-the-top services" means audio or video programming services that are
40 received by the purchaser by means of an internet connection, regardless
41 of the technology used, that include linear or live programming and that
42 are generally considered comparable to programming provided by a radio or
43 television broadcast station and includes related on-demand programming
44 that is provided at no additional charge, regardless of whether the

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

3 H. For the purposes of this section:

4 1. "Cable operator" has the same meaning prescribed in section
5 9-505 and includes a video service provider.

6 2. "Electrical services" means transmitting or distributing
7 electricity, electric lights, current or power over lines, wires or
8 cables.

9 3. "Telecommunication services" means transmitting or relaying
10 sound, visual image, data, information, images or material over lines,
11 wires or cables by radio signal, light beam, telephone, telegraph or other
12 electromagnetic means.

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

16 Sec. 8. Section 42-6004, Arizona Revised Statutes, as amended by
17 Laws 2021, chapter 417, section 11, is amended to read:

18 42-6004. Exemption from municipal tax; definitions

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

21 1. Exhibition events in this state sponsored, conducted or operated
22 by a nonprofit organization that is exempt from taxation under section
23 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the
24 organization is associated with a major league baseball team or a national
25 touring professional golfing association and no part of the organization's
26 net earnings inures to the benefit of any private shareholder or
27 individual. This paragraph does not apply to an organization that is
28 owned, managed or controlled, in whole or in part, by a major league
29 baseball team, or its owners, officers, employees or agents, or by a major
30 league baseball association or professional golfing association, or its
31 owners, officers, employees or agents, unless the organization conducted
32 or operated exhibition events in this state before January 1, 2018 that
33 were exempt from state transaction privilege tax under section 42-5073.

34 2. Interstate telecommunications services, which include that
35 portion of telecommunications services, such as subscriber line service,
36 allocable by federal law to interstate telecommunications service.

37 3. Sales of warranty or service contracts.

38 4. Sales of motor vehicles to nonresidents of this state for use
39 outside this state **IF ANY OF THE FOLLOWING APPLY:**

40 (a) ~~if~~ The motor vehicle dealer ships or delivers the motor vehicle
41 to a destination out of this state.

42 (b) **THE VEHICLE, TRAILER OR SEMITRAILER HAS A GROSS VEHICLE WEIGHT**
43 **RATING OF MORE THAN TEN THOUSAND POUNDS, IS USED OR MAINTAINED TO**
44 **TRANSPORT PASSENGERS OR PROPERTY IN THE FURTHERANCE OF A COMMERCIAL**

1 ENTERPRISE AND OTHERWISE MEETS THE DEFINITION OF COMMERCIAL MOTOR VEHICLE
2 AS DEFINED IN SECTION 28-5201.

3 (c) THE VEHICLE IS AN AUTOMOBILE OR TRUCK, IS SOLD TO A NONRESIDENT
4 BY A MANUFACTURER LOCATED IN THIS STATE OR A MOTOR VEHICLE DEALER LOCATED
5 IN THIS STATE AND THE NONRESIDENT PURCHASER HAS OBTAINED A SPECIAL FIVE
6 DAY NONRESIDENT REGISTRATION PERMIT FOR THE VEHICLE AS PRESCRIBED IN
7 SECTION 28-2154. THE EXEMPTION PROVIDED IN THIS SUBDIVISION DOES NOT
8 INCLUDE A RECREATIONAL VEHICLE AS DEFINED IN SECTION 28-3102.

9 5. Interest on finance contracts.

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

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

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

16 (a) "Internet" means the computer and telecommunications facilities
17 that comprise the interconnected worldwide network of networks that employ
18 the transmission control protocol or internet protocol, or any predecessor
19 or successor protocol, to communicate information of all kinds by wire or
20 radio.

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

25 9. The gross proceeds of sales or gross income retained by the
26 Arizona exposition and state fair board from ride ticket sales at the
27 annual Arizona state fair.

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

30 (a) "Affiliated companies, businesses, persons or reciprocal
31 insurers" means the lessor holds a controlling interest in the lessee, the
32 lessee holds a controlling interest in the lessor, affiliated persons hold
33 a controlling interest in both the lessor and the lessee, or an unrelated
34 person holds a controlling interest in both the lessor and lessee.

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

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

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

43 (e) "Reciprocal insurer" has the same meaning prescribed in section
44 20-762.

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

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

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

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

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

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

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

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

31 (i) Assembling the machinery, equipment or other tangible personal
32 property.

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

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

38 (iv) Stabilizing or protecting the machinery, equipment or other
39 tangible personal property during operation by bolting, burying or
40 performing other dissimilar nonpermanent connections to either real
41 property or real property improvements.

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

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

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

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

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

35 (i) Community facilities districts, fire districts, county
36 television improvement districts, community park maintenance districts,
37 cotton pest control districts, hospital districts, pest abatement
38 districts, health service districts, agricultural improvement districts,
39 county free library districts, county jail districts, county stadium
40 districts, special health care districts, public health services
41 districts, theme park districts or revitalization districts.

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

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

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

7 17. The sale of coal.

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

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

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

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

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

27 (a) By a person that is engaged in the business of providing or
28 furnishing electrical services or telecommunication services or that is a
29 cable operator.

30 (b) To a person that is engaged in the business of providing or
31 furnishing electrical services or telecommunication services or that is a
32 cable operator.

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

37 21. The gross proceeds of sales or gross income derived from entry
38 fees paid by participants for events that are operated or conducted by
39 nonprofit organizations that are exempt from taxation under section
40 501(c)(3) of the internal revenue code and of which no part of the
41 organization's net earnings inures to the benefit of any private
42 shareholder or individual, if the event consists of a run, walk, swim or
43 bicycle ride or a similar event, or any combination of these events.

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

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

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

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

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

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

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

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

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

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

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

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

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

1 (b) The attributable amount is equal to the total amount of
2 development fees paid by the taxpayer or by a contractor providing
3 services to the taxpayer and the total development fees credited in
4 exchange for the construction of, contribution to or dedication of real
5 property for providing public infrastructure, public safety or other
6 public services necessary to the development. The real property must be
7 the subject of the development fees.

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

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

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

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

20 10. Transporting for hire persons by vehicle for hire drivers on
21 transactions involving vehicle for hire services as defined in section
22 28-9501.

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

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

33 1. A manufacturer's cash rebate on the sales price of a motor
34 vehicle if the buyer assigns the buyer's right in the rebate to the
35 retailer.

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

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

40 G. A city, town or taxing jurisdiction shall not levy a transaction
41 privilege, sales, gross receipts, use, franchise or other similar tax or
42 fee, however denominated, on gross proceeds of sales or gross income
43 derived from over-the-top services. For the purposes of this subsection,
44 "over-the-top services" means audio or video programming services that are
45 received by the purchaser by means of an internet connection, regardless

1 of the technology used, that include linear or live programming and that
2 are generally considered comparable to programming provided by a radio or
3 television broadcast station and includes related on-demand programming
4 that is provided at no additional charge, regardless of whether the
5 services are provided independently or packaged with other audio or video
6 programming.

7 H. For the purposes of this section:

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

10 2. "Electrical services" means transmitting or distributing
11 electricity, electric lights, current or power over lines, wires or
12 cables.

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

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

20 Sec. 9. Applicability

21 Except as provided in section 10 of this act, this act applies to
22 taxable periods beginning on or after the first day of the month following
23 the general effective date.

24 Sec. 10. Conditional enactment

25 Section 42-5061, Arizona Revised Statutes, as amended by Laws 2021,
26 chapter 266, section 4, chapter 412, section 8, chapter 417, section 5,
27 chapter 443, section 3 and this act and section 42-6004, Arizona Revised
28 Statutes, as amended by Laws 2021, chapter 417, section 11 and this act
29 become effective on the date prescribed by Laws 2018, chapter 263, section
30 5 and apply to taxable periods beginning on or after the first day of the
31 month following the general effective date of this act but only on the
32 occurrence of the condition prescribed by Laws 2018, chapter 263,
33 section 5.