

REFERENCE TITLE: **municipal tax exemption; residential leases**

State of Arizona
Senate
Fifty-sixth Legislature
First Regular Session
2023

SB 1184

Introduced by
Senators Kaiser: Bennett, Hoffman, Petersen, Rogers, Shamp, Wadsack

AN ACT

AMENDING SECTIONS 42-5029 AND 42-6004, ARIZONA REVISED STATUTES; REPEALING SECTION 42-6011, ARIZONA REVISED STATUTES; RELATING TO LOCAL EXCISE TAXES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 42-5029, Arizona Revised Statutes, is amended to
3 read:

4 42-5029. Remission and distribution of monies; withholding;
5 definition

6 A. The department shall deposit, pursuant to sections 35-146 and
7 35-147, all revenues collected under this article and articles 4, 5 and 8
8 of this chapter pursuant to section 42-1116, separately accounting for:

9 1. Payments of estimated tax under section 42-5014, subsection D.

10 2. Revenues collected pursuant to section 42-5070.

11 3. Revenues collected under this article and article 5 of this
12 chapter from and after June 30, 2000 from sources located on Indian
13 reservations in this state.

14 4. Revenues collected pursuant to section 42-5010, subsection G and
15 section 42-5155, subsection D.

16 5. Revenues collected pursuant to section 42-5010.01 and section
17 42-5155, subsection E.

18 6. REVENUES COLLECTED PURSUANT TO SECTION 42-5061 FROM A REMOTE
19 SELLER.

20 B. The department shall credit payments of estimated tax to an
21 estimated tax clearing account and each month shall transfer all monies in
22 the estimated tax clearing account to a fund designated as the transaction
23 privilege and severance tax clearing account. The department shall credit
24 all other payments to the transaction privilege and severance tax clearing
25 account, separately accounting for the monies designated as distribution
26 base under sections 42-5010, 42-5164 and 42-5205. Each month the
27 department shall report to the state treasurer the amount of monies
28 collected pursuant to this article and articles 4, 5 and 8 of this
29 chapter.

30 C. On notification by the department, the state treasurer shall
31 distribute the monies deposited in the transaction privilege and severance
32 tax clearing account in the manner prescribed by this section and by
33 sections 42-5164 and 42-5205, after deducting warrants drawn against the
34 account pursuant to sections 42-1118 and 42-1254.

35 D. Of the monies designated as distribution base, the department
36 shall:

37 1. Pay twenty-five percent to the various incorporated
38 municipalities in this state in proportion to their population to be used
39 by the municipalities for any municipal purpose, EXCEPT A MUNICIPALITY
40 SHALL USE MONIES PAID FROM REVENUES SEPARATELY ACCOUNTED FOR PURSUANT TO
41 SUBSECTION A, PARAGRAPH 6 OF THIS SECTION AND PAID PURSUANT TO THIS
42 PARAGRAPH FOR PUBLIC SAFETY BEFORE ANY OTHER MUNICIPAL PURPOSE.

1 2. Pay 38.08 percent to the counties in this state by averaging the
2 following proportions:

3 (a) The proportion that the population of each county bears to the
4 total state population.

5 (b) The proportion that the distribution base monies collected
6 during the calendar month in each county under this article, section
7 42-5164, subsection B and section 42-5205, subsection B bear to the total
8 distribution base monies collected under this article, section 42-5164,
9 subsection B and section 42-5205, subsection B throughout the state for
10 the calendar month.

11 3. Pay an additional 2.43 percent to the counties in this state as
12 follows:

13 (a) Average the following proportions:

14 (i) The proportion that the assessed valuation used to determine
15 secondary property taxes of each county, after deducting that part of the
16 assessed valuation that is exempt from taxation at the beginning of the
17 month for which the amount is to be paid, bears to the total assessed
18 valuations used to determine secondary property taxes of all the counties
19 after deducting that portion of the assessed valuations that is exempt
20 from taxation at the beginning of the month for which the amount is to be
21 paid. Property of a city or town that is not within or contiguous to the
22 municipal corporate boundaries and from which water is or may be withdrawn
23 or diverted and transported for use on other property is considered to be
24 taxable property in the county for purposes of determining assessed
25 valuation in the county under this item.

26 (ii) The proportion that the distribution base monies collected
27 during the calendar month in each county under this article, section
28 42-5164, subsection B and section 42-5205, subsection B bear to the total
29 distribution base monies collected under this article, section 42-5164,
30 subsection B and section 42-5205, subsection B throughout ~~the~~ THIS state
31 for the calendar month.

32 (b) If the proportion computed under subdivision (a) of this
33 paragraph for any county is greater than the proportion computed under
34 paragraph 2 of this subsection, the department shall compute the
35 difference between the amount distributed to that county under paragraph 2
36 of this subsection and the amount that would have been distributed under
37 paragraph 2 of this subsection using the proportion computed under
38 subdivision (a) of this paragraph and shall pay that difference to the
39 county from the amount available for distribution under this paragraph.
40 Any monies remaining after all payments under this subdivision shall be
41 distributed among the counties according to the proportions computed under
42 paragraph 2 of this subsection.

43 4. After any distributions required by sections 42-5030,
44 42-5030.01, 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making
45 any transfer to the water quality assurance revolving fund as required by

1 section 49-282, subsection B, credit the remainder of the monies
2 designated as distribution base to the state general fund. From this
3 amount the legislature shall annually appropriate to:

4 (a) The department of revenue sufficient, monies to administer and
5 enforce this article and articles 5 and 8 of this chapter.

6 (b) The department of economic security, monies to be used for the
7 purposes stated in title 46, chapter 1.

8 (c) The firearms safety and ranges fund established by section
9 17-273, ~~fifty thousand dollars~~ \$50,000 derived from the taxes collected
10 from the retail classification pursuant to section 42-5061 for the current
11 fiscal year.

12 E. If approved by the qualified electors voting at a statewide
13 general election, all monies collected pursuant to section 42-5010,
14 subsection G and section 42-5155, subsection D shall be distributed each
15 fiscal year pursuant to this subsection. The monies distributed pursuant
16 to this subsection are in addition to any other appropriation, transfer or
17 other allocation of public or private monies from any other source and
18 shall not supplant, replace or cause a reduction in other school district,
19 charter school, university or community college funding sources. The
20 monies shall be distributed as follows:

21 1. If there are outstanding state school facilities revenue bonds
22 pursuant to title 15, chapter 16, article 7, each month one-twelfth of the
23 amount that is necessary to pay the fiscal year's debt service on
24 outstanding state school improvement revenue bonds for the current fiscal
25 year shall be transferred each month to the school improvement revenue
26 bond debt service fund established by section 15-2084. The total amount
27 of bonds for which these monies may be allocated for the payment of debt
28 service shall not exceed a principal amount of eight hundred million
29 dollars exclusive of refunding bonds and other refinancing obligations.

30 2. After any transfer of monies pursuant to paragraph 1 of this
31 subsection, twelve per cent of the remaining monies collected during the
32 preceding month shall be transferred to the technology and research
33 initiative fund established by section 15-1648 to be distributed among the
34 universities for the purpose of investment in technology and
35 research-based initiatives.

36 3. After the transfer of monies pursuant to paragraph 1 of this
37 subsection, three per cent of the remaining monies collected during the
38 preceding month shall be transferred to the workforce development account
39 established in each community college district pursuant to section 15-1472
40 for the purpose of investment in workforce development programs.

41 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of
42 this subsection, one-twelfth of the amount a community college that is
43 owned, operated or chartered by a qualifying Indian tribe on its own
44 Indian reservation would receive pursuant to section 15-1472, subsection
45 D, paragraph 2 if it were a community college district shall be

1 distributed each month to the treasurer or other designated depository of
2 a qualifying Indian tribe. Monies distributed pursuant to this paragraph
3 are for the exclusive purpose of providing support to one or more
4 community colleges owned, operated or chartered by a qualifying Indian
5 tribe and shall be used in a manner consistent with section 15-1472,
6 subsection B. For the purposes of this paragraph, "qualifying Indian
7 tribe" has the same meaning as defined in section 42-5031.01,
8 subsection D.

9 5. After transferring monies pursuant to paragraphs 1, 2 and 3 of
10 this subsection, one-twelfth of the following amounts shall be transferred
11 each month to the department of education for the increased cost of basic
12 state aid under section 15-971 due to added school days and associated
13 teacher salary increases enacted in 2000:

14 (a) In fiscal year 2001-2002, \$15,305,900.

15 (b) In fiscal year 2002-2003, \$31,530,100.

16 (c) In fiscal year 2003-2004, \$48,727,700.

17 (d) In fiscal year 2004-2005, \$66,957,200.

18 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
19 \$86,280,500.

20 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of
21 this subsection, seven million eight hundred thousand dollars is
22 appropriated each fiscal year, to be paid in monthly installments, to the
23 department of education to be used for school safety as provided in
24 section 15-154 and two hundred thousand dollars is appropriated each
25 fiscal year, to be paid in monthly installments to the department of
26 education to be used for the character education matching grant program as
27 provided in section 15-154.01.

28 7. After transferring monies pursuant to paragraphs 1, 2 and 3 of
29 this subsection, no more than seven million dollars may be appropriated by
30 the legislature each fiscal year to the department of education to be used
31 for accountability purposes as described in section 15-241 and title 15,
32 chapter 9, article 8.

33 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of
34 this subsection, one million five hundred thousand dollars is appropriated
35 each fiscal year, to be paid in monthly installments, to the failing
36 schools tutoring fund established by section 15-241.

37 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of
38 this subsection, twenty-five million dollars shall be transferred each
39 fiscal year to the state general fund to reimburse the general fund for
40 the cost of the income tax credit allowed by section 43-1072.01.

41 10. After the payment of monies pursuant to paragraphs 1 through 9
42 of this subsection, the remaining monies collected during the preceding
43 month shall be transferred to the classroom site fund established by
44 section 15-977. The monies shall be allocated as follows in the manner
45 prescribed by section 15-977:

1 (a) Forty per cent shall be allocated for teacher compensation
2 based on performance.

3 (b) Twenty per cent shall be allocated for increases in teacher
4 base compensation and employee related expenses.

5 (c) Forty per cent shall be allocated for maintenance and operation
6 purposes.

7 F. The department shall credit the remainder of the monies in the
8 transaction privilege and severance tax clearing account to the state
9 general fund, subject to any distribution required by section 42-5030.01.

10 G. Notwithstanding subsection D of this section, if a court of
11 competent jurisdiction finally determines that tax monies distributed
12 under this section were illegally collected under this article or articles
13 5 and 8 of this chapter and orders the monies to be refunded to the
14 taxpayer, the department shall compute the amount of such monies that was
15 distributed to each city, town and county under this section. Each
16 city's, town's and county's proportionate share of the costs shall be
17 based on the amount of the original tax payment each municipality and
18 county received. Each month the state treasurer shall reduce the amount
19 otherwise distributable to the city, town and county under this section by
20 ~~one thirty-sixth~~ 1/36 of the total amount to be recovered from the city,
21 town or county until the total amount has been recovered, but the monthly
22 reduction for any city, town or county shall not exceed ten percent of the
23 full monthly distribution to that entity. The reduction shall begin for
24 the first calendar month after the final disposition of the case and shall
25 continue until the total amount, including interest and costs, has been
26 recovered.

27 H. On receiving a certificate of default from the greater Arizona
28 development authority pursuant to section 41-2257 or 41-2258 and to the
29 extent not otherwise expressly prohibited by law, the state treasurer
30 shall withhold from the next succeeding distribution of monies pursuant to
31 this section due to the defaulting political subdivision the amount
32 specified in the certificate of default and immediately deposit the amount
33 withheld in the greater Arizona development authority revolving fund. The
34 state treasurer shall continue to withhold and deposit the monies until
35 the greater Arizona development authority certifies to the state treasurer
36 that the default has been cured. In no event may the state treasurer
37 withhold any amount that the defaulting political subdivision certifies to
38 the state treasurer and the authority as being necessary to make any
39 required deposits then due for the payment of principal and interest on
40 bonds of the political subdivision that were issued before the date of the
41 loan repayment agreement or bonds and that have been secured by a pledge
42 of distributions made pursuant to this section.

43 I. Except as provided by sections 42-5033 and 42-5033.01, the
44 population of a county, city or town as determined by the most recent
45 United States decennial census plus any revisions to the decennial census

1 certified by the United States bureau of the census shall be used as the
2 basis for apportioning monies pursuant to subsection D of this section.

3 J. Except as otherwise provided by this subsection, on notice from
4 the department of revenue pursuant to section 42-6010, subsection B, the
5 state treasurer shall withhold from the distribution of monies pursuant to
6 this section to the affected city or town the amount of the penalty for
7 business location municipal tax incentives provided by the city or town to
8 a business entity that locates a retail business facility in the city or
9 town. The state treasurer shall continue to withhold monies pursuant to
10 this subsection until the entire amount of the penalty has been withheld.
11 The state treasurer shall credit any monies withheld pursuant to this
12 subsection to the state general fund as provided by subsection D,
13 paragraph 4 of this section. The state treasurer shall not withhold any
14 amount that the city or town certifies to the department of revenue and
15 the state treasurer as being necessary to make any required deposits or
16 payments for debt service on bonds or other long-term obligations of the
17 city or town that were issued or incurred before the location incentives
18 provided by the city or town.

19 K. On notice from the auditor general pursuant to section 9-626,
20 subsection D, the state treasurer shall withhold from the distribution of
21 monies pursuant to this section to the affected city the amount computed
22 pursuant to section 9-626, subsection D. The state treasurer shall
23 continue to withhold monies pursuant to this subsection until the entire
24 amount specified in the notice has been withheld. The state treasurer
25 shall credit any monies withheld pursuant to this subsection to the state
26 general fund as provided by subsection D, paragraph 4 of this section.

27 L. Except as otherwise provided by this subsection, on notice from
28 the attorney general pursuant to section 41-194.01, subsection B,
29 paragraph 1 that an ordinance, regulation, order or other official action
30 adopted or taken by the governing body of a county, city or town violates
31 state law or the Constitution of Arizona, the state treasurer shall
32 withhold the distribution of monies pursuant to this section to the
33 affected county, city or town and shall continue to withhold monies
34 pursuant to this subsection until the attorney general certifies to the
35 state treasurer that the violation has been resolved. The state treasurer
36 shall redistribute the monies withheld pursuant to this subsection among
37 all other counties, cities and towns in proportion to their population as
38 provided by subsection D of this section. The state treasurer shall not
39 withhold any amount that the county, city or town certifies to the
40 attorney general and the state treasurer as being necessary to make any
41 required deposits or payments for debt service on bonds or other long-term
42 obligations of the county, city or town that were issued or incurred
43 before committing the violation.

44 M. For the purposes of this section, "community college district"
45 means a community college district that is established pursuant to

1 sections 15-1402 and 15-1403 and that is a political subdivision of this
2 state and, unless otherwise specified, includes a community college
3 tuition financing district established pursuant to section 15-1409.

4 Sec. 2. Section 42-6004, Arizona Revised Statutes, is amended to
5 read:

6 42-6004. Exemption from municipal tax; definitions

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

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

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

25 3. Sales of warranty or service contracts.

26 4. Sales of motor vehicles to nonresidents of this state for use
27 outside this state if either of the following ~~apply~~ APPLIES:

28 (a) The motor vehicle dealer ships or delivers the motor vehicle to
29 a destination outside this state.

30 (b) The vehicle, trailer or semitrailer has a gross vehicle weight
31 rating of more than ten thousand pounds, is used or maintained to
32 transport property in the furtherance of interstate commerce and otherwise
33 meets the definition of commercial motor vehicle as defined in section
34 28-5201.

35 5. Interest on finance contracts.

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

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

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

42 (a) "Internet" means the computer and telecommunications facilities
43 that comprise the interconnected worldwide network of networks that employ
44 the transmission control protocol or internet protocol, or any predecessor

1 or successor protocol, to communicate information of all kinds by wire or
2 radio.

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

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

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

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

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

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

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

25 (e) "Reciprocal insurer" has the same meaning prescribed in section
26 20-762.

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

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

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

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

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

44 (b) The deduction provided in this paragraph does not include gross
45 proceeds of sales or gross income from the portion of any contracting

1 activity that consists of the development of, or modification to, real
2 property in order to facilitate the installation, assembly, repair,
3 maintenance or removal of machinery, equipment or other tangible personal
4 property described in section 42-5061, subsection B.

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

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

12 (i) Assembling the machinery, equipment or other tangible personal
13 property.

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

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

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

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

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

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

42 (a) Each contract is independent of another contract, except that
43 any change order that directly relates to the scope of work of the
44 original contract shall be treated the same as the original contract under
45 this paragraph, regardless of the amount of modification activities

1 included in the change order. If a change order does not directly relate
2 to the scope of work of the original contract, the change order shall be
3 treated as a new contract, with the tax treatment of any subsequent change
4 order to follow the tax treatment of the contract to which the scope of
5 work of the subsequent change order directly relates.

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

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

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

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

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

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

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

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

38 (b) The title or possession of the coal is transferred back to the
39 owner or operator of the power plant after completion of the coal refining
40 process. For the purposes of this subdivision, "coal refining process"
41 means the application of a coal additive system that aids the reduction of
42 power plant emissions during the combustion of coal and the treatment of
43 flue gas.

44 18. Tangible personal property incorporated or fabricated into a
45 project described in paragraph 14 of this subsection, that is located

1 within the exterior boundaries of an Indian reservation for which the
2 owner, as defined in section 42-5075, of the project is an Indian tribe or
3 an affiliated Indian. For the purposes of this paragraph:

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

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

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

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

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

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

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

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

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

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

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

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

5 23. The gross proceeds of sales or gross income derived from a
6 contract to install containment structures. For the purposes of this
7 paragraph, "containment structure" means a structure that prevents,
8 monitors, controls or reduces noxious or harmful discharge into the
9 environment.

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

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

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

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

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

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

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

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

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

41 (b) The attributable amount is equal to the total amount of
42 development fees paid by the taxpayer or by a contractor providing
43 services to the taxpayer and the total development fees credited in
44 exchange for the construction of, contribution to or dedication of real
45 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. FROM AND AFTER SEPTEMBER 30, 2024, A CITY, TOWN OR OTHER TAXING
4 JURISDICTION MAY NOT LEVY A TRANSACTION PRIVILEGE, SALES, GROSS RECEIPTS,
5 USE, FRANCHISE OR OTHER SIMILAR TAX OR FEE, HOWEVER DENOMINATED, ON THE
6 BUSINESS OF RENTING OR LEASING REAL PROPERTY FOR RESIDENTIAL DWELLINGS OF
7 NOT MORE THAN FOUR UNITS. THIS SUBSECTION:

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

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

12 I. FROM AND AFTER DECEMBER 31, 2027, A CITY, TOWN OR OTHER TAXING
13 JURISDICTION MAY NOT LEVY A TRANSACTION PRIVILEGE, SALES, GROSS RECEIPTS,
14 USE, FRANCHISE OR OTHER SIMILAR TAX OR FEE, HOWEVER DENOMINATED, ON THE
15 BUSINESS OF RENTING OR LEASING REAL PROPERTY FOR RESIDENTIAL DWELLINGS OF
16 MORE THAN FOUR UNITS. THIS SUBSECTION:

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

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

21 ~~H.~~ J. For the purposes of this section:

22 1. "Cable operator" has the same meaning prescribed in section
23 9-505 and includes a video service provider.

24 2. "Electrical services" means transmitting or distributing
25 electricity, electric lights, current or power over lines, wires or
26 cables.

27 3. "Telecommunication services" means transmitting or relaying
28 sound, visual image, data, information, images or material over lines,
29 wires or cables by radio signal, light beam, telephone, telegraph or other
30 electromagnetic means.

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

34 Sec. 3. Repeal

35 Section 42-6011, Arizona Revised Statutes, is repealed from and
36 after December 31, 2027.

37 Sec. 4. Rent reduction; delayed repeal

38 A. The owner of real property that is rented or leased for
39 residential purposes and that is located in a city, town or other taxing
40 jurisdiction that levies a transaction privilege tax on the business of
41 renting or leasing real property for residential purposes shall reduce the
42 amount of rent due by an amount equal to the difference caused by the
43 elimination of the transaction privilege tax on the business of renting or
44 leasing real property for residential purposes as provided by this act as
45 follows:

1 1. For residential dwellings of not more than four units, on or
2 before January 1, 2024.

3 2. For residential dwellings of more than four units, on or before
4 January 1, 2028.

5 B. This section is repealed from and after December 31, 2028.

6 Sec. 5. Notice; retroactivity; delayed repeal

7 A. On or before October 31, 2023, the department of revenue shall
8 electronically notify each residential rental transaction privilege tax
9 licensee that a city, town or other taxing jurisdiction that levies a
10 transaction privilege tax on the business of renting or leasing real
11 property for residential purposes will no longer levy the tax from and
12 after:

13 1. For residential dwellings of not more than four units, September
14 30, 2024.

15 2. For residential dwellings of more than four units, December 31,
16 2027.

17 B. If the department of revenue is unable to send the notice to a
18 licensee electronically, the department shall send the notice by first
19 class mail to all of the following:

20 1. The address appearing on the residential transaction privilege
21 tax license.

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

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

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

31 C. This section applies retroactively to from and after September
32 30, 2023.

33 D. This section is repealed from and after December 31, 2026.

34 Sec. 6. Legislative intent

35 The legislature intends that a city, town or other taxing
36 jurisdiction that levies a transaction privilege tax on the business of
37 renting or leasing real property for residential purposes reduce
38 nonessential government spending, including spending on lobbyists and
39 out-of-state travel, to address any revenue reduction caused by no longer
40 levying the tax.