

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

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

## **SB 1193**

Introduced by  
Senators Marsh: Alston, Diaz, Fernandez, Gabaldón, Miranda

### AN ACT

REPEALING SECTIONS 9-500.39 AND 11-269.17, ARIZONA REVISED STATUTES; AMENDING SECTIONS 42-2003, 42-5005, 42-5009, 42-5010 AND 42-5014, ARIZONA REVISED STATUTES; REPEALING SECTION 42-5042, ARIZONA REVISED STATUTES; AMENDING SECTIONS 42-5061, 42-5070 AND 42-5071, ARIZONA REVISED STATUTES; REPEALING SECTION 42-5076, ARIZONA REVISED STATUTES; AMENDING SECTION 42-5159, ARIZONA REVISED STATUTES; REPEALING SECTIONS 42-6009 AND 42-6013, ARIZONA REVISED STATUTES; AMENDING SECTIONS 42-6102, 42-6108, 42-6108.01, 42-12003 AND 42-12004, ARIZONA REVISED STATUTES; REPEALING LAWS 2016, CHAPTER 208, SECTIONS 15 AND 16; RELATING TO ONLINE LODGING.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Repeal

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4 repealed.

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

7 42-2003. Authorized disclosure of confidential information

8 A. Confidential information relating to:

9 1. A taxpayer may be disclosed to the taxpayer, its successor in  
10 interest or a designee of the taxpayer who is authorized in writing by the  
11 taxpayer. A principal corporate officer of a parent corporation may  
12 execute a written authorization for a controlled subsidiary. If a  
13 taxpayer elects to file an Arizona small business income tax return under  
14 section 43-302, a written authorization by a taxpayer to allow the  
15 department to disclose personal income tax information to a designee  
16 includes the corresponding Arizona small business income tax return.

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

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

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

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

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

42 7. A government entity may be disclosed to the head of the entity  
43 or a member of the governing board of the entity, or any employee of the  
44 entity who has been delegated the authorization in writing by the head of  
45 the entity or the governing board of the entity.

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

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

6           10. Any taxpayer may be disclosed during a meeting or telephone  
7 call if the taxpayer is present during the meeting or telephone call and  
8 authorizes the disclosure of confidential information.

9           B. Confidential information may be disclosed to:

10           1. Any employee of the department whose official duties involve tax  
11 administration.

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

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

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

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

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

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

40           (c) An organization of states, federation of tax administrators or  
41 multistate tax commission that operates an information exchange for tax  
42 administration purposes.

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

1 (e) An agency, official or organization of an Indian tribal  
2 government with responsibilities comparable to the responsibilities of the  
3 agencies, officials or organizations identified in subdivision (a), (b) or  
4 (c) of this paragraph.

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

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

9 (a) The processing, storage, transmission, destruction and  
10 reproduction of the information.

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

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

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

18 (a) Regarding income tax or withholding tax.

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

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

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

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

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

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

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

35 (c) Fulfilling its annual reporting responsibility pursuant to  
36 section 41-1512, subsections U and V and section 41-1517, subsection L.

37 (d) Certifying computer data centers for tax relief under section  
38 41-1519.

39 (e) Certifying applicants for the tax credit for motion picture  
40 production costs under sections 43-1082 and 43-1165.

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

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

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

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

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

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

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

13          20. The department of health services for its use in determining  
14 the following:

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

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

21          21. The Arizona department of agriculture for the purpose of  
22 ascertaining compliance with the licensing provisions in title 3.

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

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

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

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

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

34           (d) Return information directly relates to a transactional  
35 relationship between a person who is a party to the proceeding and the  
36 taxpayer and directly affects the resolution of an issue in the  
37 proceeding.

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

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

44          E. The department, on the request of any person, shall provide the  
45 names and addresses of bingo licensees as defined in section 5-401, verify

1 whether or not a person has a privilege license and number, a tobacco  
2 product distributor's license and number or a withholding license and  
3 number or disclose the information to be posted on the department's  
4 website or otherwise publicly accessible pursuant to section 42-1124,  
5 subsection F and section 42-3401.

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

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

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

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

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

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

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

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

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

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

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

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

1           2. May not be disclosed to the public in any manner that does not  
2 comply with confidentiality standards established by the department. The  
3 county, city or town shall agree in writing with the department that any  
4 release of confidential information that violates the confidentiality  
5 standards adopted by the department will result in the immediate  
6 suspension of any rights of the county, city or town to receive taxpayer  
7 information under this subsection.

8           H. The department may disclose statistical information gathered  
9 from confidential information if it does not disclose confidential  
10 information attributable to any one taxpayer. The department may disclose  
11 statistical information gathered from confidential information, even if it  
12 discloses confidential information attributable to a taxpayer, to:

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

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

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

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

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

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

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

38           N. This section does not prohibit the disclosure by the department  
39 of any information or documents submitted to the department by a bingo  
40 licensee. Before disclosing the information, the department shall obtain  
41 the name and address of the person requesting the information.

42           O. If the department is required or allowed to disclose  
43 confidential information, it may charge the person or agency requesting  
44 the information for the reasonable cost of its services.

1 P. Except as provided in section 42-2002, subsection D, the  
2 department of revenue shall release confidential information as requested  
3 by the department of economic security pursuant to section 42-1122 or  
4 46-291. Information disclosed under this subsection is limited to the  
5 same type of information that the United States internal revenue service  
6 is authorized to disclose under section 6103(1)(6) of the internal revenue  
7 code.

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

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

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

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

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

24 3. Sections 44-7101 and 44-7111, the master settlement agreement  
25 referred to in those sections and all agreements regarding disputes under  
26 the master settlement agreement.

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

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

42 2. Such a return or the return information relates or may relate to  
43 a transactional relationship between a person who is a party to the  
44 proceeding and the taxpayer that directly affects the resolution of an  
45 issue in the proceeding.



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

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

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

10          2. Indian tribes located in this state for the purposes of  
11 enforcement of the statutes or agreements specified in subsection S of  
12 this section.

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

19          V. The department may provide the name and address of qualifying  
20 hospitals and qualifying health care organizations, as defined in section  
21 42-5001, to a business that is classified and reporting transaction  
22 privilege tax under the utilities classification.

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

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

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

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

44          ~~1. Is not subject to disclosure pursuant to title 39, relating to~~  
45 ~~public records.~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38 42-5010. Rates; distribution base

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 2. Are delinquent as follows:

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

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

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

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

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

1           3. Are delinquent as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

10           Sec. 7. Repeal

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

12           Sec. 8. Section 42-5061, Arizona Revised Statutes, is amended to  
13 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 either of the following ~~apply~~ APPLIES:

12 (a) The motor vehicle dealer ships or delivers the motor vehicle to  
13 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 property in the furtherance of interstate commerce and otherwise  
17 meets the definition of commercial motor vehicle as defined in section  
18 28-5201.

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

21 16. Items purchased with United States department of agriculture  
22 coupons issued under the supplemental nutrition assistance program  
23 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;  
24 7 United States Code sections 2011 through 2036b) by the United States  
25 department of agriculture food and nutrition service or food instruments  
26 issued under section 17 of the child nutrition act (P.L. 95-627;  
27 92 Stat. 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States  
28 Code section 1786).

29 17. Textbooks by any bookstore that are required by any state  
30 university or community college.

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

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

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

42 21. The sale of cash equivalents and the sale of precious metal  
43 bullion and monetized bullion to the ultimate consumer, but the sale of  
44 coins or other forms of money for manufacture into jewelry or works of art  
45 is subject to the tax and the gross proceeds of sales or gross income

1 derived from the redemption of any cash equivalent by the holder as a  
2 means of payment for goods or services that are taxable under this article  
3 is subject to the tax. For the purposes of this paragraph:

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

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

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

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

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

26 22. Motor vehicle fuel and use fuel that are subject to a tax  
27 imposed under title 28, chapter 16, article 1, sales of use fuel to a  
28 holder of a valid single trip use fuel tax permit issued under section  
29 28-5739, sales of aviation fuel that are subject to the tax imposed under  
30 section 28-8344 and sales of jet fuel that are subject to the tax imposed  
31 under article 8 of this chapter.

32 23. Tangible personal property sold to a person engaged in the  
33 business of leasing or renting such property under the personal property  
34 rental classification if such property is to be leased or rented by such  
35 person.

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

39 25. Tangible personal property sold to:

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

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

1 (c) A qualifying health care organization as defined in section  
2 42-5001 if the organization is dedicated to providing educational,  
3 therapeutic, rehabilitative and family medical education training for  
4 blind and visually impaired children and children with multiple  
5 disabilities from the time of birth to age twenty-one.

6 (d) A qualifying community health center as defined in section  
7 42-5001.

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

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

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

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

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

27 27. Tangible personal property sold to:

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

33 (i) Incorporated or fabricated by the person into any real  
34 property, structure, project, development or improvement as part of the  
35 business.

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

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

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

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

6           29. Tangible personal property purchased in this state by a  
7 nonprofit charitable organization that has qualified under section  
8 501(c)(3) of the United States internal revenue code and that engages in  
9 and uses such property exclusively in programs for persons with mental or  
10 physical disabilities if the programs are exclusively for training, job  
11 placement, rehabilitation or testing.

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

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

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

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

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

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

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

10 35. Sales of natural gas or liquefied petroleum gas used to propel  
11 a motor vehicle.

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

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

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

39 39. Through December 31, 1994, personal property liquidation  
40 transactions, conducted by a personal property liquidator. From and after  
41 December 31, 1994, personal property liquidation transactions shall be  
42 taxable under this section provided that nothing in this subsection shall  
43 be construed to authorize the taxation of casual activities or  
44 transactions under this chapter. For the purposes of this paragraph:

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

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

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

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

18 42. Sales of:

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

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

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

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

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

43          54. Sales of motor vehicle fuel and use fuel to a qualified  
44 business under section 41-1516 for off-road use in harvesting, processing

1 or transporting qualifying forest products removed from qualifying  
2 projects as defined in section 41-1516.

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

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

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

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

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

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

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

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

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

43 B. In addition to the deductions from the tax base prescribed by  
44 subsection A of this section, the gross proceeds of sales or gross income

1 derived from sales of the following categories of tangible personal  
2 property shall be deducted from the tax base:

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

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

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

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

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

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

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

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

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

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

5           8. Aircraft, navigational and communication instruments and other  
6 accessories and related equipment sold to:

7           (a) A person:

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

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

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

21           (iv) Operating an aircraft to transport persons in any manner for  
22 compensation or hire, or for use in a fractional ownership program that  
23 meets the requirements of federal aviation administration regulations  
24 (14 Code of Federal Regulations part 91, subpart K), including as an air  
25 carrier, a foreign air carrier or a commercial operator or under a  
26 restricted category, within the meaning of 14 Code of Federal Regulations,  
27 regardless of whether the operation or aircraft is regulated or certified  
28 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code  
29 of Federal Regulations.

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

35           (b) Any foreign government.

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

43           9. Machinery, tools, equipment and related supplies used or  
44 consumed directly in repairing, remodeling or maintaining aircraft,

1 aircraft engines or aircraft component parts by or on behalf of a  
2 certificated or licensed carrier of persons or property.

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

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

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

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

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

25 (a) "Off-highway vehicles" means off-highway vehicles as defined in  
26 section 28-1171 that are modified at the time of sale to function as a  
27 tractor or to tow tractor-drawn implements and that are not equipped with  
28 a modified exhaust system to increase horsepower or speed or an engine  
29 that is more than one thousand cubic centimeters or that have a maximum  
30 speed of fifty miles per hour or less.

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

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

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

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

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

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

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

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

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

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

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

43           19. Machinery or equipment, including related structural components  
44 and containment structures, that is employed in connection with  
45 manufacturing, processing, fabricating, job printing, refining, mining,

1 natural gas pipelines, metallurgical operations, telecommunications,  
2 producing or transmitting electricity or research and development and that  
3 is used directly to meet or exceed rules or regulations adopted by the  
4 federal energy regulatory commission, the United States environmental  
5 protection agency, the United States nuclear regulatory commission, the  
6 Arizona department of environmental quality or a political subdivision of  
7 this state to prevent, monitor, control or reduce land, water or air  
8 pollution. For the purposes of this paragraph, "containment structure"  
9 means a structure that prevents, monitors, controls or reduces noxious or  
10 harmful discharge into the environment.

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

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

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

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

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

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

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

1 services that, in whole or in part, are necessary to perform one or more  
2 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. 9. Section 42-5070, Arizona Revised Statutes, is amended to  
10 read:

11 42-5070. Transient lodging classification; definition

12 A. The transient lodging classification is comprised of the  
13 business of operating, for occupancy by transients, a hotel or motel,  
14 including an inn, tourist home or house, dude ranch, resort, campground,  
15 studio or bachelor hotel, lodging house, rooming house, apartment house,  
16 dormitory, public or private club, mobile home or house trailer at a fixed  
17 location or other similar structure, and also including a space, lot or  
18 slab that is occupied or intended or designed for occupancy by transients  
19 in a mobile home or house trailer furnished by them for such occupancy.

20 B. The transient lodging classification does not include:

21 1. Operating a convalescent home or facility, home for the aged,  
22 hospital, jail, military installation or fraternity or sorority house or  
23 operating any structure exclusively by an association, institution,  
24 governmental agency or corporation for religious, charitable or  
25 educational purposes, if no part of the net earnings of the association,  
26 corporation or other entity inures to the benefit of any private  
27 shareholder or individual.

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

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

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

39 C. The tax base for the transient lodging classification is the  
40 gross proceeds of sales or gross income derived from the business, except  
41 that the tax base does not include ~~—~~

42 ~~±~~ the gross proceeds of sales or gross income derived from  
43 business activity that is properly included in another business  
44 classification under this article and that is taxable to the person  
45 engaged in that business classification, but the gross proceeds of sales

1 or gross income to be deducted shall not exceed the consideration paid to  
2 the person conducting the activity.

3 ~~2. The gross proceeds or gross income received by an online lodging~~  
4 ~~operator, as defined in section 42-5076, from any online lodging~~  
5 ~~transactions, as defined in section 42-5076, for which the online lodging~~  
6 ~~operator has received documentation from a registered online lodging~~  
7 ~~marketplace, as defined in section 42-5076, pursuant to section 42-5009,~~  
8 ~~subsection P that the online lodging marketplace has remitted or will~~  
9 ~~remit the applicable tax to the department pursuant to section 42-5014,~~  
10 ~~subsection E.~~

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

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

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

21 3. Commissions paid to a person that is engaged in transient  
22 lodging business subject to taxation under this section by a person  
23 providing services or property to the customers of the person engaging in  
24 the transient lodging business.

25 E. The department shall separately account for revenues collected  
26 under the transient lodging classification for the purposes of section  
27 42-5029, subsection D, paragraph 4, subdivision (b).

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

32 Sec. 10. Section 42-5071, Arizona Revised Statutes, is amended to  
33 read:

34 42-5071. Personal property rental classification; definitions

35 A. The personal property rental classification is comprised of the  
36 business of leasing or renting tangible personal property for a  
37 consideration and includes peer-to-peer car sharing. The tax does not  
38 apply to:

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

42 2. Activities engaged in by the Arizona exposition and state fair  
43 board or county fair commissions in connection with events sponsored by  
44 such entities.

1           3. Leasing or renting tangible personal property by a parent  
2 business entity to a subsidiary business entity or by a subsidiary  
3 business entity to another subsidiary of the same parent business entity  
4 if taxes were paid under this chapter on the gross proceeds or gross  
5 income accruing from the initial sale of the tangible personal property.  
6 For the purposes of this paragraph, "subsidiary" means a business entity  
7 of which at least eighty percent of the voting shares are owned by the  
8 parent business entity.

9           4. Operating coin-operated washing, drying and dry cleaning  
10 machines or coin-operated car washing machines at establishments for the  
11 use of such machines.

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

18           6. Leasing or renting aircraft, flight simulators or similar  
19 training equipment to students or staff by nonprofit, accredited  
20 educational institutions that offer associate or baccalaureate degrees in  
21 aviation or aerospace related fields.

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

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

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

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

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

35           10. Leasing or renting billboards that are designed, intended or  
36 used to advertise or inform and that are visible from any street, road or  
37 other highway.

38           B. The tax base for the personal property rental classification is  
39 the gross proceeds of sales or gross income derived from the business, but  
40 the gross proceeds of sales or gross income derived from the following  
41 shall be deducted from the tax base:

42           1. Reimbursements by the lessee to the lessor of a motor vehicle  
43 for payments by the lessor of the applicable fees and taxes imposed by  
44 sections 28-2003, 28-2352, 28-2402, 28-2481 and 28-5801, title 28, chapter  
45 15, article 2 and article IX, section 11, Constitution of Arizona, to the

1 extent such amounts are separately identified as such fees and taxes and  
2 are billed to the lessee.

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

6 (a) Section 42-5061, subsection A, paragraph 8, 9, 12, 13, 25, 29,  
7 49 or 53.

8 (b) Section 42-5061, subsection B.

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

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

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

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

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

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

24 D. In computing the tax base, the gross proceeds of sales or gross  
25 income from the lease or rental of a motor vehicle does not include any  
26 amount attributable to the car rental surcharge under section 5-839,  
27 28-5810 or 48-4234.

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

36 F. The tax base of the personal property rental classification does  
37 not include the gross proceeds or gross income received by a shared  
38 vehicle owner from a peer-to-peer car sharing program pursuant to section  
39 42-5009, subsection ~~R~~ Q.

40 G. For the purposes of this section:

41 1. "Cable operator" has the same meaning prescribed in section  
42 9-505 and includes a video service provider.

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



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

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

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

8           Sec. 11. Repeal

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

10          Sec. 12. Section 42-5159, Arizona Revised Statutes, is amended to  
11 read:

12          42-5159. Exemptions

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

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

19           2. Tangible personal property, the sale or use of which has already  
20 been subjected to an excise tax at a rate equal to or exceeding the tax  
21 imposed by this article under the laws of another state of the United  
22 States. If the excise tax imposed by the other state is at a rate less  
23 than the tax imposed by this article, the tax imposed by this article is  
24 reduced by the amount of the tax already imposed by the other state.

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

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

33           5. Motor vehicle fuel and use fuel, the sales, distribution or use  
34 of which in this state is subject to the tax imposed under title 28,  
35 chapter 16, article 1, use fuel that is sold to or used by a person  
36 holding a valid single trip use fuel tax permit issued under  
37 section 28-5739, aviation fuel, the sales, distribution or use of which in  
38 this state is subject to the tax imposed under section 28-8344, and jet  
39 fuel, the sales, distribution or use of which in this state is subject to  
40 the tax imposed under article 8 of this chapter.

41           6. Tangible personal property brought into this state by an  
42 individual who was a nonresident at the time the property was purchased  
43 for storage, use or consumption by the individual if the first actual use  
44 or consumption of the property was outside this state, unless the property  
45 is used in conducting a business in this state.

1           7. Purchases of implants used as growth promotants and injectable  
2 medicines, not already exempt under paragraph 16 of this subsection, for  
3 livestock and poultry owned by, or in possession of, persons who are  
4 engaged in producing livestock, poultry, or livestock or poultry products,  
5 or who are engaged in feeding livestock or poultry commercially. For the  
6 purposes of this paragraph, "poultry" includes ratites.

7           8. Purchases of:

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

10           (b) Livestock and poultry feed, salts, vitamins and other additives  
11 sold to persons for use or consumption in the businesses of farming,  
12 ranching and producing or feeding livestock or poultry or for use or  
13 consumption in noncommercial boarding of livestock. For the purposes of  
14 this paragraph, "poultry" includes ratites.

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

18           (a) Includes seeds, seedlings, roots, bulbs, liners, transplants,  
19 cuttings, soil and plant additives, agricultural minerals, auxiliary soil  
20 and plant substances, micronutrients, fertilizers, insecticides,  
21 herbicides, fungicides, soil fumigants, desiccants, rodenticides,  
22 adjuvants, plant nutrients and plant growth regulators.

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

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

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

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

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

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

40           13. Tangible personal property purchased by:

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

44           (b) A hospital operated by this state or a political subdivision of  
45 this state.

1 (c) A licensed nursing care institution or a licensed residential  
2 care institution or a residential care facility operated in conjunction  
3 with a licensed nursing care institution or a licensed kidney dialysis  
4 center, which provides medical services, nursing services or health  
5 related services and is not used or held for profit.

6 (d) A qualifying health care organization, as defined in section  
7 42-5001, if the tangible personal property is used by the organization  
8 solely to provide health and medical related educational and charitable  
9 services.

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

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

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

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

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

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

31 (h) A person that is not subject to tax under section 42-5075 and  
32 that has been provided a copy of a certificate described in section  
33 42-5009, subsection L, if the property purchased is incorporated or  
34 fabricated by the person into the real property, structure, project,  
35 development or improvement described in the certificate.

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

40 (j) A qualifying community health center as defined in section  
41 42-5001.

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

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

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

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

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

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

26 15. Tangible personal property sold by:

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

30 (b) A nonprofit organization that is exempt from taxation under  
31 section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if  
32 the organization is associated with a major league baseball team or a  
33 national touring professional golfing association and no part of the  
34 organization's net earnings inures to the benefit of any private  
35 shareholder or individual. This subdivision does not apply to an  
36 organization that is owned, managed or controlled, in whole or in part, by  
37 a major league baseball team, or its owners, officers, employees or  
38 agents, or by a major league baseball association or professional golfing  
39 association, or its owners, officers, employees or agents, unless the  
40 organization conducted or operated exhibition events in this state before  
41 January 1, 2018 that were exempt from transaction privilege tax under  
42 section 42-5073.

43 (c) A nonprofit organization that is exempt from taxation under  
44 section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the  
45 internal revenue code if the organization sponsors or operates a rodeo

1 featuring primarily farm and ranch animals and no part of the  
2 organization's net earnings inures to the benefit of any private  
3 shareholder or individual.

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

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

12 18. Prescription eyeglasses and contact lenses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23           (b) Public educational institutions.

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

27           33. Natural gas or liquefied petroleum gas used to propel a motor  
28 vehicle.

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

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

1 means a commercial printing operation and includes job printing,  
2 engraving, embossing, copying and bookbinding.

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

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

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

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

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

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

39 40. Through December 31, 1994, tangible personal property sold  
40 pursuant to a personal property liquidation transaction, as defined in  
41 section 42-5061. From and after December 31, 1994, tangible personal  
42 property sold pursuant to a personal property liquidation transaction, as  
43 defined in section 42-5061, if the gross proceeds of the sales were  
44 included in the measure of the tax imposed by article 1 of this chapter or  
45 if the personal property liquidation was a casual activity or transaction.

1           41. Wireless telecommunications equipment that is held for sale or  
2 transfer to a customer as an inducement to enter into or continue a  
3 contract for telecommunications services that are taxable under section  
4 42-5064.

5           42. Alternative fuel, as defined in section 1-215, purchased by 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           43. Tangible personal property purchased by a commercial airline  
9 and consisting of food, beverages and condiments and accessories used for  
10 serving the food and beverages, if those items are to be provided without  
11 additional charge to passengers for consumption in flight. For the  
12 purposes of this paragraph, "commercial airline" means a person holding a  
13 federal certificate of public convenience and necessity or foreign air  
14 carrier permit for air transportation to transport persons, property or  
15 United States mail in intrastate, interstate or foreign commerce.

16           44. Alternative fuel vehicles if the vehicle was manufactured as a  
17 diesel fuel vehicle and converted to operate on alternative fuel and  
18 equipment that is installed in a conventional diesel fuel motor vehicle to  
19 convert the vehicle to operate on an alternative fuel, as defined in  
20 section 1-215.

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

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

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

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

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

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

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



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

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

7           (b) "Curriculum design or enhancement" means planning, implementing  
8 or reporting on courses of study, lessons, assignments or other learning  
9 activities.

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

14          52. Repair parts installed in equipment used directly by a  
15 qualified business under section 41-1516 in harvesting, processing or  
16 transporting qualifying forest products removed from qualifying projects  
17 as defined in section 41-1516.

18          53. Renewable energy credits or any other unit created to track  
19 energy derived from renewable energy resources. For the purposes of this  
20 paragraph, "renewable energy credit" means a unit created administratively  
21 by the corporation commission or governing body of a public power entity  
22 to track kilowatt hours of electricity derived from a renewable energy  
23 resource or the kilowatt hour equivalent of conventional energy resources  
24 displaced by distributed renewable energy resources.

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

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

30           (b) The title or possession of the coal is transferred back to the  
31 owner or operator of the power plant after completion of the coal refining  
32 process. For the purposes of this subdivision, "coal refining process"  
33 means the application of a coal additive system that aids the reduction of  
34 power plant emissions during the combustion of coal and the treatment of  
35 flue gas.

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

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

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

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

10 56. Cash equivalents, precious metal bullion and monetized bullion  
11 purchased by the ultimate consumer, but coins or other forms of money for  
12 manufacture into jewelry or works of art are subject to tax, and tangible  
13 personal property that is purchased through the redemption of any cash  
14 equivalent by the holder as a means of payment for goods that are subject  
15 to tax under this article is subject to tax. For the purposes of this  
16 paragraph:

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

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

26 (ii) Prepaid calling cards for telecommunications services.

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

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

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

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

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

7           3. Tangible personal property sold to persons engaged in business  
8 classified under the telecommunications classification under section  
9 42-5064, including a person representing or working on behalf of such a  
10 person in a manner described in section 42-5075, subsection 0, and  
11 consisting of central office switching equipment, switchboards, private  
12 branch exchange equipment, microwave radio equipment and carrier equipment  
13 including optical fiber, coaxial cable and other transmission media that  
14 are components of carrier systems.

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

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

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

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

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

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

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

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

43           (a) A person:

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

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

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

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

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

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

26 (b) Any foreign government.

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

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

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

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

43 12. Buses or other urban mass transit vehicles that are used  
44 directly to transport persons or property for hire or pursuant to a  
45 governmentally adopted and controlled urban mass transportation program

1 and that are sold to bus companies holding a federal certificate of  
2 convenience and necessity or operated by any city, town or other  
3 governmental entity or by any person contracting with such governmental  
4 entity as part of a governmentally adopted and controlled program to  
5 provide urban mass transportation.

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

7 14. Machinery and equipment consisting of agricultural aircraft,  
8 tractors, off-highway vehicles, tractor-drawn implements, self-powered  
9 implements, machinery and equipment necessary for extracting milk, and  
10 machinery and equipment necessary for cooling milk and livestock, and drip  
11 irrigation lines not already exempt under paragraph 7 of this subsection  
12 and that are used for commercially producing agricultural, horticultural,  
13 viticultural and floricultural crops and products in this state. For the  
14 purposes of this paragraph:

15 (a) "Off-highway vehicles" means off-highway vehicles as defined in  
16 section 28-1171 that are modified at the time of sale to function as a  
17 tractor or to tow tractor-drawn implements and that are not equipped with  
18 a modified exhaust system to increase horsepower or speed or an engine  
19 that is more than one thousand cubic centimeters or that have a maximum  
20 speed of fifty miles per hour or less.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

29           23. Machinery, equipment, materials and other tangible personal  
30 property used directly and predominantly to construct a qualified  
31 environmental technology manufacturing, producing or processing facility  
32 as described in section 41-1514.02. This paragraph applies for ten full  
33 consecutive calendar or fiscal years after the start of initial  
34 construction.

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

43           C. The exemptions provided by subsection B of this section do not  
44 include:

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

5           2. Janitorial equipment and hand tools.

6           3. Office equipment, furniture and supplies.

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

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

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

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

17          8. Machinery and equipment or tangible personal property used by a  
18 contractor in performing a contract.

19          D. The following shall be deducted in computing the purchase price  
20 of electricity by a retail electric customer from a utility business:

21           1. Revenues received from sales of ancillary services, electric  
22 distribution services, electric generation services, electric transmission  
23 services and other services related to providing electricity to a retail  
24 electric customer who is located outside this state for use outside this  
25 state if the electricity is delivered to a point of sale outside this  
26 state.

27           2. Revenues received from providing electricity, including  
28 ancillary services, electric distribution services, electric generation  
29 services, electric transmission services and other services related to  
30 providing electricity with respect to which the transaction privilege tax  
31 imposed under section 42-5063 has been paid.

32          E. The tax levied by this article does not apply to the purchase of  
33 solar energy devices from a retailer that is registered with the  
34 department as a solar energy retailer or a solar energy contractor.

35          F. The following shall be deducted in computing the purchase price  
36 of electricity by a retail electric customer from a utility business:

37           1. Fees charged by a municipally owned utility to persons  
38 constructing residential, commercial or industrial developments or  
39 connecting residential, commercial or industrial developments to a  
40 municipal utility system or systems if the fees are segregated and used  
41 only for capital expansion, system enlargement or debt service of the  
42 utility system or systems.

43           2. Reimbursement or contribution compensation to any person or  
44 persons owning a utility system for property and equipment installed to  
45 provide utility access to, on or across the land of an actual utility



1 consumer if the property and equipment become the property of the utility.  
2 This deduction shall not exceed the value of such property and equipment.

3 G. The tax levied by this article does not apply to the purchase  
4 price of electricity, natural gas or liquefied petroleum gas by:

5 1. A qualified manufacturing or smelting business. A utility that  
6 claims this deduction shall report each month, on a form prescribed by the  
7 department, the name and address of each qualified manufacturing or  
8 smelting business for which this deduction is taken. This paragraph  
9 applies to gas transportation services. For the purposes of this  
10 paragraph:

11 (a) "Gas transportation services" means the services of  
12 transporting natural gas to a natural gas customer or to a natural gas  
13 distribution facility if the natural gas was purchased from a supplier  
14 other than the utility.

15 (b) "Manufacturing" means the performance as a business of an  
16 integrated series of operations that places tangible personal property in  
17 a form, composition or character different from that in which it was  
18 acquired and transforms it into a different product with a distinctive  
19 name, character or use. Manufacturing does not include job printing,  
20 publishing, packaging, mining, generating electricity or operating a  
21 restaurant.

22 (c) "Qualified manufacturing or smelting business" means one of the  
23 following:

24 (i) A business that manufactures or smelts tangible products in  
25 this state, of which at least fifty-one percent of the manufactured or  
26 smelted products will be exported out of state for incorporation into  
27 another product or sold out of state for a final sale.

28 (ii) A business that derives at least fifty-one percent of its  
29 gross income from the sale of manufactured or smelted products  
30 manufactured or smelted by the business.

31 (iii) A business that uses at least fifty-one percent of its square  
32 footage in this state for manufacturing or smelting and business  
33 activities directly related to manufacturing or smelting.

34 (iv) A business that employs at least fifty-one percent of its  
35 workforce in this state in manufacturing or smelting and business  
36 activities directly related to manufacturing or smelting.

37 (v) A business that uses at least fifty-one percent of the value of  
38 its capitalized assets in this state, as reflected on the business's books  
39 and records, for manufacturing or smelting and business activities  
40 directly related to manufacturing or smelting.

41 (d) "Smelting" means to melt or fuse a metalliferous mineral, often  
42 with an accompanying chemical change, usually to separate the metal.

43 2. A business that operates an international operations center in  
44 this state and that is certified by the Arizona commerce authority  
45 pursuant to section 41-1520.

1 H. A city or town may exempt proceeds from sales of paintings,  
2 sculptures or similar works of fine art if such works of fine art are sold  
3 by the original artist. For the purposes of this subsection, fine art  
4 does not include an art creation such as jewelry, macrame, glasswork,  
5 pottery, woodwork, metalwork, furniture or clothing if the art creation  
6 has a dual purpose, both aesthetic and utilitarian, whether sold by the  
7 artist or by another person.

8 I. For the purposes of subsection B of this section:

9 1. "Agricultural aircraft" means an aircraft that is built for  
10 agricultural use for the aerial application of pesticides or fertilizer or  
11 for aerial seeding.

12 2. "Aircraft" includes:

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

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

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

22 J. For the purposes of subsection D of this section, "ancillary  
23 services", "electric distribution service", "electric generation service",  
24 "electric transmission service" and "other services" have the same  
25 meanings prescribed in section 42-5063.

26 Sec. 13. Repeal

27 Sections 42-6009 and 42-6013, Arizona Revised Statutes, are  
28 repealed.

29 Sec. 14. Section 42-6102, Arizona Revised Statutes, is amended to  
30 read:

31 42-6102. Administration; exception

32 A. Unless the context otherwise requires, chapter 5, article 1 of  
33 this title governs the administration of the taxes imposed by this  
34 article, except that:

35 1. A separate license is not required for the taxes imposed by this  
36 article, and the taxes due under this article shall be included, reported  
37 and paid with the transaction privilege tax.

38 2. A separate bond is not required of employees of the department  
39 in administering this article.

40 3. The taxes imposed by this article may be included without  
41 segregation in any notice and lien filed for unpaid transaction privilege  
42 taxes.

43 B. The taxes imposed pursuant to this article do not apply to the  
44 gross proceeds of sales or gross income derived pursuant to contracts  
45 entered into before the date of the election to authorize the tax by prime

1 contractors ~~and owner builders~~ who are classified under ~~sections~~ SECTION  
2 42-5075 ~~and 42-5076~~ unless the contract contains a provision ~~which~~ THAT  
3 entitles the contractor to recover the amount of the tax from a purchaser.  
4 In order to qualify for this exemption the contractor shall provide  
5 sufficient documentation, in a manner and form prescribed by the  
6 department, to verify that a contract was entered into before the date of  
7 the election to authorize the tax.

8 Sec. 15. Section 42-6108, Arizona Revised Statutes, is amended to  
9 read:

10 42-6108. Tax on hotels

11 A. The board of supervisors of a county having a population of less  
12 than two million five hundred thousand but more than five hundred thousand  
13 persons may levy and, if levied, the department shall collect a tax on the  
14 gross proceeds of sales or gross income from the business of every person  
15 engaging or continuing in the county in a business taxed under chapter 5  
16 of this title and classified under section 42-5070 ~~or 42-5076~~. The tax  
17 shall be levied under this section beginning January 1 or July 1,  
18 whichever date first occurs at least three months after the county  
19 resolution approving the tax levy. The rate of tax shall not exceed six  
20 ~~per cent~~ PERCENT.

21 B. The tax only applies in unincorporated areas of the county.

22 C. At the end of each month the state treasurer shall transmit the  
23 net revenues collected pursuant to this section to the treasurer of the  
24 county levying the tax. The county shall use:

25 1. Not more than thirty-four percent of these revenues for the  
26 purposes set forth in section 48-4204, subsection A, as financial  
27 participation by the county as required by that subsection.

28 2. Not more than sixteen percent of these revenues for the purposes  
29 of economic development under section 11-254.04. Any increase in tax  
30 imposed under this section shall not constitute a new tax for the purposes  
31 of section 11-254.04, subsection B.

32 3. All remaining revenues to promote and enhance tourism through  
33 the recognized tourism promotion agency in the county.

34 Sec. 16. Section 42-6108.01, Arizona Revised Statutes, is amended  
35 to read:

36 42-6108.01. Tax on hotels

37 A. The qualified electors residing in a county having a population  
38 of less than two million but more than five hundred thousand persons, by  
39 majority vote at an election held in the county, may levy and, if levied,  
40 the department of revenue shall collect a tax on the gross proceeds of  
41 sales or gross income from the business of every person engaging or  
42 continuing in a business taxed under chapter 5 of this title and  
43 classified under section 42-5070 ~~or 42-5076~~ within the county. A tax  
44 under this section:

1 1. Is in addition to taxes imposed by chapter 5 of this title and  
2 section 42-6108 and any tax imposed by a city or town in the county.

3 2. Applies in both incorporated and unincorporated areas of the  
4 county.

5 B. If levied, the tax shall be levied under this section beginning  
6 on the first day of the first month beginning ninety days after the  
7 election to levy the tax. The tax shall be in effect for thirty years.  
8 The tax may be extended by majority vote of the qualified electors  
9 residing in the county at an election held in the county for a period of  
10 not more than ten years.

11 C. The rate of the tax is one ~~per cent~~ PERCENT of the tax base  
12 prescribed by section 42-5070 ~~or 42-5076~~.

13 D. Each month the state treasurer shall credit the net revenues  
14 collected pursuant to this section to the tourism fund established by  
15 section 41-2306.

16 Sec. 17. Section 42-12003, Arizona Revised Statutes, is amended to  
17 read:

18 42-12003. Class three property; definition

19 A. For the purposes of taxation, class three is established  
20 consisting of:

21 1. Real and personal property and improvements to the property that  
22 are used for residential purposes and ~~is~~ occupied by the owner as the  
23 owner's primary residence as described in section 42-12053, that are not  
24 otherwise included in class one, two, four, six, seven or eight and that  
25 are valued at full cash value.

26 2. Real and personal property that is used for residential purposes  
27 and occupied by a relative of the owner, as described in section 42-12053,  
28 as the relative's primary residence, that is not otherwise included in  
29 class one, two, four, six, seven or eight and that is valued at full cash  
30 value.

31 ~~3. Real and personal property that is used for residential purposes~~  
32 ~~and occupied by the owner as the owner's primary residence, as described~~  
33 ~~in section 42-12053, who also uses the property for lease or rent to~~  
34 ~~lodgers.~~

35 B. For the purposes of this section, a homesite that is included in  
36 class three may include:

37 1. Up to ten acres on a single parcel of real property on which the  
38 residential improvement is located.

39 2. More than ten, but not more than forty, acres on a single parcel  
40 of real property on which the residential improvement is located if it is  
41 zoned exclusively for residential purposes or contains legal restrictions  
42 or physical conditions that prevent the division of the parcel.

43 C. For the purposes of this section, "physical conditions" means  
44 topography, mountains, washes, rivers, roads or any other configuration  
45 that limits the residential usable land area.

1           Sec. 18. Section 42-12004, Arizona Revised Statutes, is amended to  
2 read:

3           42-12004. Class four property

4           A. For the purposes of taxation, class four is established  
5 consisting of:

6           1. Real and personal property and improvements to the property that  
7 are used for residential purposes, including residential property that is  
8 owned in foreclosure by a financial institution, that is not otherwise  
9 included in another classification and that is valued at full cash value.  
10 The homesite that is included in class four may include:

11           (a) Up to ten acres on a single parcel of real property on which  
12 the residential improvement is located.

13           (b) More than ten, but not more than forty, acres on a single  
14 parcel of real property on which the residential improvement is located if  
15 it is zoned exclusively for residential purposes or contains legal  
16 restrictions or physical conditions that prevent the division of the  
17 parcel. For the purposes of this subdivision, "physical conditions" means  
18 topography, mountains, washes, rivers, roads or any other configuration  
19 that limits the residential usable land area.

20           2. Real and personal property and improvements to the property that  
21 are used for residential purposes and solely leased or rented, that are  
22 not included in class one, two, three, six, seven or eight and that are  
23 valued at full cash value.

24           3. Child care facilities that are licensed under title 36, chapter  
25 7.1 and that are valued at full cash value.

26           4. Real and personal property and improvements to property that are  
27 used to operate nonprofit residential housing facilities that are  
28 structured to house or care for persons with disabilities or who are at  
29 least sixty-two years of age and that are valued at full cash value.

30           5. Real and personal property and improvements that are used to  
31 operate licensed residential care institutions or licensed nursing care  
32 institutions that provide medical services, nursing services or  
33 health-related services and that are structured to house or care for  
34 persons with disabilities or who are at least sixty-two years of age and  
35 that are valued at full cash value.

36           6. Real and personal property consisting of not more than eight  
37 rooms of residential property that are leased or rented to transient  
38 lodgers, together with furnishing not more than a breakfast meal, by the  
39 owner who resides on the property and that is valued at full cash value.

40           7. Real and personal property that consists of residential  
41 dwellings maintained for occupancy by agricultural employees as a  
42 condition of employment or as a convenience to the employer, that is not  
43 included in class three and that is valued at full cash value. The land  
44 associated with these dwellings shall be valued as agricultural land  
45 pursuant to chapter 13, article 3 of this title.

1           8. Real property and improvements to property constituting common  
2 areas that are valued pursuant to chapter 13, article 9 of this title.

3           9. Real and personal property that is defined as timeshare property  
4 by section 32-2197 and valued pursuant to chapter 13, article 10 of this  
5 title, except for any property used for commercial, industrial or  
6 transient occupancy purposes and included in class one to the extent of  
7 that use.

8           ~~10. Real and personal property and improvements that are used for  
9 residential purposes and that are leased or rented to lodgers, except for:~~

10           ~~(a) Property occupied by the owner of the property as the owner's  
11 primary residence and included in class three.~~

12           ~~(b) Property used for commercial purposes and included in class  
13 one.~~

14           ~~ii.~~ 10. Low-income multifamily residential rental properties that  
15 are valued pursuant to chapter 13, article 13 of this title.

16           B. Subsection A, paragraphs 4 and 5 of this section do not limit  
17 eligibility for exemption from taxation under chapter 11, article 3 of  
18 this title.

19           Sec. 19. Repeal

20           Laws 2016, chapter 208, sections 15 and 16 are repealed.