

Senate Engrossed

medical marijuana; adult-use marijuana

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

SENATE BILL 1466

AN ACT

AMENDING SECTIONS 36-2801, 36-2801.01 AND 36-2803, ARIZONA REVISED STATUTES; AMENDING TITLE 36, CHAPTER 28.1, ARIZONA REVISED STATUTES, BY ADDING SECTION 36-2803.03; AMENDING SECTIONS 36-2804.02 AND 36-2804.05, ARIZONA REVISED STATUTES; AMENDING TITLE 36, CHAPTER 28.1, ARIZONA REVISED STATUTES, BY ADDING SECTION 36-2806.03; AMENDING SECTION 36-2817, ARIZONA REVISED STATUTES; REPEALING SECTION 36-2821, ARIZONA REVISED STATUTES; AMENDING SECTIONS 36-2822, 36-2854, 36-2854.01, 36-2856 AND 42-5061, ARIZONA REVISED STATUTES; RELATING TO MARIJUANA.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Subject to the requirements of article IV, part 1,
3 section 1, Constitution of Arizona, section 36-2801, Arizona Revised
4 Statutes, is amended to read:

5 36-2801. Definitions

6 In this chapter, unless the context otherwise requires:

7 1. "ADVERTISE", "ADVERTISEMENT" AND "ADVERTISING" MEAN ANY PUBLIC
8 COMMUNICATION IN ANY MEDIUM THAT OFFERS OR SOLICITS A COMMERCIAL
9 TRANSACTION INVOLVING THE SALE, PURCHASE OR DELIVERY OF MARIJUANA OR
10 MARIJUANA PRODUCTS.

11 ~~1~~ 2. "Allowable amount of marijuana":

12 (a) With respect to a qualifying patient, means:

13 (i) Two and one-half ounces of usable marijuana.

14 (ii) If the qualifying patient's registry identification card
15 states that the qualifying patient is authorized to cultivate marijuana,
16 twelve marijuana plants contained in an enclosed, locked facility, except
17 that the plants are not required to be in an enclosed, locked facility if
18 the plants are being transported because the qualifying patient is moving.

19 (b) With respect to a designated caregiver, for each patient
20 assisted by the designated caregiver under this chapter, means:

21 (i) Two and one-half ounces of usable marijuana.

22 (ii) If the designated caregiver's registry identification card
23 provides that the designated caregiver is authorized to cultivate
24 marijuana, twelve marijuana plants contained in an enclosed, locked
25 facility, except that the plants are not required to be in an enclosed,
26 locked facility if the plants are being transported because the designated
27 caregiver is moving.

28 (c) Does not include marijuana that is incidental to medical use,
29 but is not usable marijuana.

30 ~~2~~ 3. "Cardholder" means a qualifying patient, a designated
31 caregiver, a nonprofit medical marijuana dispensary agent or a independent
32 third-party laboratory agent who has been issued and possesses a valid
33 registry identification card.

34 4. "CHILD-RESISTANT" MEANS DESIGNED OR CONSTRUCTED TO BE
35 SIGNIFICANTLY DIFFICULT FOR CHILDREN UNDER FIVE YEARS OF AGE TO OPEN AND
36 NOT DIFFICULT FOR NORMAL ADULTS TO USE PROPERLY.

37 ~~3~~ 5. "Debilitating medical condition" means one or more of the
38 following:

39 (a) Cancer, glaucoma, positive status for human immunodeficiency
40 virus, acquired immune deficiency syndrome, hepatitis C, amyotrophic
41 lateral sclerosis, Crohn's disease or agitation of Alzheimer's disease or
42 the treatment of these conditions.

43 (b) A chronic or debilitating disease or medical condition or its
44 treatment that produces one or more of the following:

45 (i) Cachexia or wasting syndrome.

- 1 (ii) Severe and chronic pain.
2 (iii) Severe nausea.
3 (iv) Seizures, including those characteristic of epilepsy.
4 (v) Severe and persistent muscle spasms, including those
5 characteristic of multiple sclerosis.
6 (c) POST-TRAUMATIC STRESS DISORDER.
7 (d) AUTISM SPECTRUM DISORDER THAT IS DIAGNOSED BY A LICENSED
8 PHYSICIAN OR LICENSED PSYCHOLOGIST ACTING WITHIN HIS OR HER SCOPE OF
9 PRACTICE.
10 ~~(c)~~ (e) Any other medical condition or its treatment added by the
11 department pursuant to section 36-2801.01.
12 ~~4.~~ 6. "Department" means the department of health services or its
13 successor agency.
14 ~~5.~~ 7. "Designated caregiver" means a person who:
15 (a) Is at least twenty-one years of age.
16 (b) Has agreed to assist with a patient's medical use of marijuana.
17 (c) Has not been convicted of an excluded felony offense.
18 (d) Assists not more than five qualifying patients with the medical
19 use of marijuana.
20 (e) May receive reimbursement for actual costs incurred in
21 assisting a registered qualifying patient's medical use of marijuana if
22 the registered designated caregiver is connected to the registered
23 qualifying patient through the department's registration process. The
24 designated caregiver may not be paid any fee or compensation for service
25 as a caregiver. Payment for costs under this subdivision does not
26 constitute an offense under title 13, chapter 34 or under title 36,
27 chapter 27, article 4.
28 ~~6.~~ 8. "Enclosed, locked facility" means a closet, room, greenhouse
29 or other enclosed area that is equipped with locks or other security
30 devices that ~~permit~~ ALLOW access only by a cardholder.
31 ~~7.~~ 9. "Excluded felony offense" means:
32 (a) A violent crime as defined in section 13-901.03, subsection B,
33 that was classified as a felony in the jurisdiction where the person was
34 convicted.
35 (b) A violation of a state or federal controlled substance law that
36 was classified as a felony in the jurisdiction where the person was
37 convicted but does not include:
38 (i) An offense for which the sentence, including any term of
39 probation, incarceration or supervised release, was completed ten or more
40 years earlier.
41 (ii) An offense involving conduct that would be immune from arrest,
42 prosecution or penalty under section 36-2811, except that the conduct
43 occurred before December 14, 2010 or was prosecuted by an authority other
44 than the state of Arizona.

1 ~~8.~~ 10. "Independent third-party laboratory" means an entity that
2 has a national or international accreditation and that is certified by the
3 department to analyze marijuana cultivated for medical use.

4 ~~9.~~ 11. "Independent third-party laboratory agent" means an owner,
5 employee or volunteer of a certified independent third-party laboratory
6 who is at least twenty-one years of age and who has not been convicted of
7 an excluded felony offense.

8 ~~10.~~ 12. "Marijuana": ~~means all parts of any plant of the genus~~
9 ~~cannabis whether growing or not, and the seeds of such plant.~~

10 (a) MEANS ALL PARTS OF THE PLANT OF THE GENUS CANNABIS, WHETHER
11 GROWING OR NOT, AS WELL AS THE SEEDS FROM THE PLANT, THE RESIN EXTRACTED
12 FROM ANY PART OF THE PLANT, AND EVERY COMPOUND, MANUFACTURE, SALT,
13 DERIVATIVE, MIXTURE OR PREPARATION OF THE PLANT OR ITS SEEDS OR RESIN.

14 (b) INCLUDES CANNABIS AS DEFINED IN SECTION 13-3401.

15 (c) DOES NOT INCLUDE INDUSTRIAL HEMP, THE FIBER PRODUCED FROM THE
16 STALKS OF THE PLANT OF THE GENUS CANNABIS, OIL OR CAKE MADE FROM THE SEEDS
17 OF THE PLANT, STERILIZED SEEDS OF THE PLANT THAT ARE INCAPABLE OF
18 GERMINATION, OR THE WEIGHT OF ANY OTHER INGREDIENT COMBINED WITH MARIJUANA
19 TO PREPARE TOPICAL OR ORAL ADMINISTRATIONS, FOOD, DRINK OR OTHER PRODUCTS.

20 13. "MARIJUANA PRODUCT" MEANS MARIJUANA CONCENTRATE AND ANY PRODUCT
21 THAT IS COMPOSED OF MARIJUANA AND OTHER INGREDIENTS AND THAT IS INTENDED
22 FOR USE OR CONSUMPTION, INCLUDING EDIBLE PRODUCTS, OINTMENTS AND
23 TINCTURES.

24 ~~11.~~ 14. "Medical use" means the acquisition, possession,
25 cultivation, manufacture, use, administration, delivery, transfer or
26 transportation of marijuana or paraphernalia relating to the
27 administration of marijuana to treat or alleviate a registered qualifying
28 patient's debilitating medical condition or symptoms associated with the
29 patient's debilitating medical condition.

30 ~~12.~~ 15. "Nonprofit medical marijuana dispensary" means a
31 not-for-profit entity that acquires, possesses, cultivates, manufactures,
32 delivers, transfers, transports, supplies, sells or dispenses marijuana or
33 related supplies and educational materials to cardholders. A nonprofit
34 medical marijuana dispensary may receive payment for all expenses incurred
35 in its operation.

36 ~~13.~~ 16. "Nonprofit medical marijuana dispensary agent" means a
37 principal officer, board member, employee or volunteer of a nonprofit
38 medical marijuana dispensary who is at least twenty-one years of age and
39 has not been convicted of an excluded felony offense.

40 ~~14.~~ 17. "Physician" means a doctor of medicine who holds a valid
41 and existing license to practice medicine pursuant to title 32, chapter 13
42 or its successor, a doctor of osteopathic medicine who holds a valid and
43 existing license to practice osteopathic medicine pursuant to title 32,
44 chapter 17 or its successor, a naturopathic physician who holds a valid
45 and existing license to practice naturopathic medicine pursuant to title

1 32, chapter 14 or its successor or a homeopathic physician who holds a
2 valid and existing license to practice homeopathic medicine pursuant to
3 title 32, chapter 29 or its successor.

4 ~~15.~~ 18. "Qualifying patient" means a person who has been diagnosed
5 by a physician as having a debilitating medical condition.

6 ~~16.~~ 19. "Registry identification card" means a document issued by
7 the department that identifies a person as a registered qualifying
8 patient, a registered designated caregiver, a registered nonprofit medical
9 marijuana dispensary agent or a registered independent third-party
10 laboratory agent.

11 20. "TELEHEALTH" HAS THE SAME MEANING PRESCRIBED IN SECTION
12 36-3601.

13 ~~17.~~ 21. "Usable marijuana":

14 (a) Means the dried flowers of the marijuana plant, and any mixture
15 or preparation thereof.

16 (b) Does not include:

17 (i) The seeds, stalks and roots of the plant.

18 (ii) The weight of any non-marijuana ingredients combined with
19 marijuana and prepared for consumption as food or drink.

20 ~~18.~~ 22. "Verification system" means a secure, password-protected,
21 web-based system that is established and maintained by the department and
22 that is available to law enforcement personnel and nonprofit medical
23 marijuana dispensary agents on a twenty-four-hour basis for verifying
24 registry identification cards.

25 ~~19.~~ 23. "Visiting qualifying patient" means a person:

26 (a) Who is not a resident of Arizona or who has been a resident of
27 Arizona less than thirty days.

28 (b) Who has been diagnosed with a debilitating medical condition by
29 a person who is licensed with authority to prescribe drugs to humans in
30 the state of the person's residence or, in the case of a person who has
31 been a resident of Arizona less than thirty days, the state of the
32 person's former residence.

33 ~~20.~~ 24. "Written certification" means a document dated and signed
34 by a physician, stating that in the physician's professional opinion the
35 patient is likely to receive therapeutic or palliative benefit from the
36 medical use of marijuana to treat or alleviate the patient's debilitating
37 medical condition or symptoms associated with the debilitating medical
38 condition. The physician must:

39 (a) Specify the qualifying patient's debilitating medical condition
40 in the written certification.

41 (b) Sign and date the written certification only in the course of a
42 physician-patient relationship after the physician has completed a full
43 assessment of the qualifying patient's medical history EITHER IN PERSON OR
44 BY THE USE OF TELEHEALTH.

1 Sec. 2. Subject to the requirements of article IV, part 1,
2 section 1, Constitution of Arizona, section 36-2801.01, Arizona Revised
3 Statutes, is amended to read:

4 36-2801.01. Addition of debilitating medical conditions

5 The public may petition the department to add debilitating medical
6 conditions or treatments to the list of debilitating medical conditions
7 set forth in section 36-2801, paragraph ~~3~~ 5. The department shall
8 consider petitions in the manner required by department rule, including
9 public notice and hearing. The department shall approve or deny a
10 petition within ~~one-hundred-eighty~~ ONE HUNDRED EIGHTY days ~~of~~ AFTER its
11 submission. The approval or denial of a petition is a final decision of
12 the department subject to judicial review pursuant to title 12, chapter 7,
13 article 6. Jurisdiction and venue are vested in the superior court.

14 Sec. 3. Subject to the requirements of article IV, part 1,
15 section 1, Constitution of Arizona, section 36-2803, Arizona Revised
16 Statutes, is amended to read:

17 36-2803. Rulemaking; notice; testing of marijuana and
18 marijuana products; fees

19 A. The department shall adopt rules:

20 1. Governing the manner in which the department considers petitions
21 from the public to add debilitating medical conditions or treatments to
22 the list of debilitating medical conditions set forth in section 36-2801,
23 paragraph ~~3~~ 5, including public notice of, and an opportunity to comment
24 in a public hearing on, petitions.

25 2. Establishing the form and content of registration and renewal
26 applications submitted under this chapter.

27 3. Governing the manner in which the department considers
28 applications for and renewals of registry identification cards.

29 4. Governing nonprofit medical marijuana dispensaries to protect
30 against diversion and theft without imposing an undue burden on nonprofit
31 medical marijuana dispensaries or compromising the confidentiality of
32 cardholders, including:

33 (a) The manner in which the department considers applications for
34 and renewals of registration certificates.

35 (b) Minimum oversight requirements for nonprofit medical marijuana
36 dispensaries.

37 (c) Minimum recordkeeping requirements for nonprofit medical
38 marijuana dispensaries.

39 (d) Minimum security requirements for nonprofit medical marijuana
40 dispensaries, including requirements to protect each registered nonprofit
41 medical marijuana dispensary location by a fully operational security
42 alarm system.

43 (e) Procedures for suspending or revoking the registration
44 certificate of nonprofit medical marijuana dispensaries that violate this
45 chapter or the rules adopted pursuant to this section.

1 5. Establishing application and renewal fees for registry
2 identification cards, nonprofit medical marijuana dispensary registration
3 certificates and independent third-party laboratory certificates,
4 according to the following:

5 (a) The total amount of all fees shall generate revenues that are
6 sufficient to implement and administer this chapter, except that fee
7 revenue may be offset or supplemented by private donations.

8 (b) Nonprofit medical marijuana dispensary application fees may not
9 exceed \$5,000.

10 (c) Nonprofit medical marijuana dispensary renewal fees may not
11 exceed \$1,000.

12 (d) The total amount of revenue generated from nonprofit medical
13 marijuana dispensary application and renewal fees, registry identification
14 card fees for nonprofit medical marijuana dispensary agents and
15 independent third-party laboratory agents and application and renewal fees
16 for independent third-party laboratories shall be sufficient to implement
17 and administer this chapter, including the verification system, except
18 that the fee revenue may be offset or supplemented by private donations.

19 (e) The department may establish a sliding scale of patient
20 application and renewal fees that are based on a qualifying patient's
21 household income and that are reasonable and related to the actual costs
22 of processing applications and renewals.

23 (f) The department may consider private donations under section
24 36-2817 to reduce application and renewal fees.

25 B. The department of health services shall adopt rules that require
26 each nonprofit medical marijuana dispensary to display in a conspicuous
27 location a sign that warns pregnant women about the potential dangers to
28 fetuses caused by smoking or ingesting marijuana while pregnant or to
29 infants while breastfeeding and the risk of being reported to the
30 department of child safety during pregnancy or at the birth of the child
31 by persons who are required to report. The rules shall include the
32 specific warning language that must be included on the sign. The cost and
33 display of the sign required by rule shall be borne by the nonprofit
34 medical marijuana dispensary. The rules shall also require each
35 certifying physician to attest that the physician has provided information
36 to each qualifying female patient that warns about the potential dangers
37 to fetuses caused by smoking or ingesting marijuana while pregnant or to
38 infants while breastfeeding and the risk of being reported to the
39 department of child safety during pregnancy or at the birth of the child
40 by persons who are required to report.

41 C. The department is authorized to adopt the rules set forth in
42 subsections A and B of this section and shall adopt those rules pursuant
43 to title 41, chapter 6.

1 D. The department of health services shall post prominently on its
2 public website a warning about the potential dangers to fetuses caused by
3 smoking or ingesting marijuana while pregnant or to infants while
4 breastfeeding and the risk of being reported to the department of child
5 safety during pregnancy or at the birth of the child by persons who are
6 required to report.

7 E. NOT LATER THAN DECEMBER 31, 2023, ANY MARIJUANA OR MARIJUANA
8 PRODUCT PACKAGING LABELED FOR SALE SHALL INCLUDE A CONSUMER SCANNABLE
9 TETRAHYDROCANNABINOL QUICK RESPONSE CODE OR SIMILAR TECHNOLOGY LINKING TO
10 A WEBPAGE THAT DISPLAYS ALL OF THE FOLLOWING FOR THE SPECIFIC MARIJUANA
11 PRODUCT:

- 12 1. THE DATE OF HARVEST OF THE MARIJUANA.
- 13 2. THE TETRAHYDROCANNABINOL STRAIN OF THE MARIJUANA OR MARIJUANA
14 PRODUCT.
- 15 3. THE TETRAHYDROCANNABINOL EXTRACTION METHOD USED TO EXTRACT THE
16 TETRAHYDROCANNABINOL FROM THE MARIJUANA PRODUCT.
- 17 4. THE TEST RESULTS FOR THE MARIJUANA OR MARIJUANA PRODUCT.
- 18 5. THE DATE OF MANUFACTURE OF THE MARIJUANA PRODUCT.
- 19 6. REQUIRED WARNINGS AS DETERMINED BY THE DEPARTMENT.
- 20 7. A WARNING THAT STATES, "KEEP ALL MARIJUANA PRODUCTS SAFE AND
21 AWAY FROM CHILDREN. IF INGESTED, CALL POISON CONTROL: (800) 222-1222."

22 F. THE DEPARTMENT SHALL DETERMINE AND ADOPT RULES REGARDING
23 REQUIRED INFORMATION FOR THE MARIJUANA OR MARIJUANA PRODUCT LABEL AND THE
24 WEBPAGE LINKED TO THE QUICK RESPONSE CODE INCLUDED ON THE LABEL.
25 INFORMATION ON THE WEBPAGE SHALL SATISFY ANY LABELING REQUIREMENTS
26 PRESCRIBED IN THIS CHAPTER.

27 ~~E.~~ G. Before selling or dispensing marijuana or marijuana products
28 to registered qualified patients or registered designated caregivers,
29 nonprofit medical marijuana dispensaries shall test marijuana and
30 marijuana products for medical use to determine unsafe levels of
31 contamination, including unsafe levels of microbial contamination, heavy
32 metals, pesticides, fungicides, growth regulators and residual solvents
33 and confirm the potency of the marijuana to be dispensed. The dried
34 flowers of the marijuana plant are not required to be tested for residual
35 solvents. If a nonprofit medical marijuana dispensary's test results for
36 heavy metals comply with the prescribed requirements for a period of six
37 consecutive months, heavy metal testing for that dispensary's marijuana
38 and marijuana products is required only on a quarterly basis.

39 H. THE DEPARTMENT SHALL DEVELOP A STANDARD FORM AND REQUIRE
40 INDEPENDENT THIRD-PARTY LABORATORIES TO SUBMIT THE STANDARD FORM AS A
41 COVER PAGE FOR ALL TEST RESULTS. THE STANDARD FORM COVER PAGE, AT A
42 MINIMUM, MUST CONTAIN A PASS OR FAIL DESIGNATION OF MANDATORY TESTING
43 REQUIREMENTS.

1 I. THE DEPARTMENT SHALL DEVELOP A STANDARD FORM AND REQUIRE
2 INDEPENDENT THIRD-PARTY LABORATORIES TO SUBMIT THE STANDARD FORM AS THE
3 FINAL CERTIFICATE OF ANALYSIS OF TEST RESULTS. THE STANDARD FORM MUST
4 CONTAIN THE MANDATORY TESTING REQUIREMENTS.

5 ~~F.~~ J. Nonprofit medical marijuana dispensaries shall:

6 1. Provide test results to a registered qualifying patient or
7 designated caregiver immediately on request.

8 2. Display in a conspicuous location a sign that notifies patients
9 of their right to receive the certified independent third-party laboratory
10 test results for marijuana and marijuana products for medical use.

11 3. NOT LATER THAN DECEMBER 31, 2023, PROCURE, DEVELOP, ACQUIRE AND
12 MAINTAIN A SYSTEM TO TRACK MARIJUANA AND MARIJUANA PRODUCTS AT ALL POINTS
13 OF CULTIVATION, MANUFACTURE AND SALE. THE SYSTEM DEVELOPED AND MAINTAINED
14 PURSUANT TO THIS PARAGRAPH SHALL:

15 (a) ENSURE AN ACCURATE ACCOUNTING AND REPORTING OF THE PRODUCTION,
16 PROCESSING AND SALE OF MARIJUANA AND MARIJUANA PRODUCTS.

17 (b) ENSURE COMPLIANCE WITH RULES ADOPTED BY THE DEPARTMENT.

18 (c) BE CAPABLE OF TRACKING, AT A MINIMUM:

19 (i) THE PROPAGATION OF IMMATURE MARIJUANA PLANTS AND THE PRODUCTION
20 OF MARIJUANA BY A NONPROFIT MEDICAL MARIJUANA DISPENSARY.

21 (ii) THE PROCESSING OF MARIJUANA AND MARIJUANA PRODUCTS BY A
22 NONPROFIT MEDICAL MARIJUANA DISPENSARY.

23 (iii) THE SALE AND PURCHASE OF MARIJUANA AND MARIJUANA PRODUCTS.

24 (iv) THE TRANSFER OF MARIJUANA AND MARIJUANA PRODUCTS BETWEEN
25 PREMISES FOR WHICH A CERTIFICATE OR A LICENSE HAS BEEN ISSUED.

26 (v) THE DISPOSAL OF MARIJUANA WASTE.

27 (vi) THE IDENTITY OF THE PERSON MAKING THE ENTRY IN THE SYSTEM AND
28 THE TIME, DATE AND LOCATION OF EACH ENTRY INTO THE SYSTEM, INCLUDING ANY
29 CORRECTIONS OR CHANGES TO THAT INFORMATION.

30 (vii) ANY OTHER INFORMATION THAT THE DEPARTMENT DETERMINES IS
31 REASONABLY NECESSARY TO ENSURE ACCURACY, PROVIDE FOR CHAIN OF CUSTODY OF
32 THE INFORMATION AND FORECLOSE DATA TAMPERING, HUMAN ERROR OR INTENTIONAL
33 MISREPORTING AND TO ACCOMPLISH THE DUTIES, FUNCTIONS AND POWERS OF THE
34 DEPARTMENT.

35 4. TRACK, TEST, LABEL AND PACKAGE MARIJUANA AND MARIJUANA PRODUCTS
36 AND ENFORCE REQUIREMENTS THAT MARIJUANA AND MARIJUANA PRODUCTS BE:

37 (a) SOLD TO QUALIFYING PATIENTS IN CLEARLY AND CONSPICUOUSLY
38 LABELED CONTAINERS THAT CONTAIN ACCURATE WARNINGS REGARDING THE USE OF
39 MARIJUANA OR MARIJUANA PRODUCTS.

40 (b) PLACED IN CHILD-RESISTANT PACKAGING ON EXIT FROM THE NONPROFIT
41 MEDICAL MARIJUANA DISPENSARY.

42 ~~G.~~ K. The department shall adopt rules to certify and regulate
43 independent third-party laboratories that analyze marijuana cultivated for
44 medical use. The department shall establish certification fees for
45 laboratories pursuant to subsection A of this section. In order to be

1 certified as an independent third-party laboratory that is allowed to test
2 marijuana and marijuana products for medical use pursuant to this chapter,
3 an independent third-party laboratory:

4 1. Must meet requirements established by the department, including
5 reporting and health and safety requirements.

6 2. May not have any direct or indirect familial or financial
7 relationship with or interest in a nonprofit medical marijuana dispensary
8 or related medical marijuana business entity or management company, or any
9 direct or indirect familial or financial relationship with a designated
10 caregiver for whom the laboratory is testing marijuana and marijuana
11 products for medical use in this state.

12 3. Must have a quality assurance program and standards.

13 4. Must have an adequate chain of custody and sample requirement
14 policies.

15 5. Must have an adequate records retention process to preserve
16 records.

17 6. Must establish procedures to ensure that results are accurate,
18 precise and scientifically valid before reporting the results.

19 7. Must be accredited by a national or international accreditation
20 association or other similar accrediting entity, as determined by the
21 department.

22 8. Must establish policies and procedures for disposal and reverse
23 distribution of samples that are collected by the laboratory.

24 ~~H.~~ L. Through December 31, 2022, the department may conduct
25 proficiency testing and remediate problems with independent third-party
26 laboratories that are certified and regulated pursuant to this chapter and
27 marijuana testing facilities that are licensed and regulated pursuant to
28 chapter 28.2 of this title.

29 ~~I.~~ M. ~~Beginning January 1, 2023,~~ The department shall ~~conduct~~
30 ~~proficiency testing and remediate problems with~~ REQUIRE independent
31 third-party laboratories that are certified and regulated pursuant to this
32 chapter and marijuana testing facilities that are licensed and regulated
33 pursuant to chapter 28.2 of this title TO CONDUCT PROFICIENCY TESTING THAT
34 IS COMMERCIALY AVAILABLE BY CONTRACTING WITH A PROFICIENCY TESTING
35 PROVIDER THAT HAS NATIONAL OR INTERNATIONAL ACCREDITATION. ~~The department~~
36 ~~may contract for proficiency testing with laboratories that have a~~
37 ~~national or international accreditation.~~

38 ~~J.~~ N. For the purposes of subsections ~~H.~~ L and ~~I.~~ M of this
39 section, remediation may include assessing civil penalties and suspending
40 or revoking a laboratory's certification or a marijuana testing facility's
41 license.

42 ~~K.~~ O. The department shall adopt rules that prescribe reasonable
43 time frames for testing marijuana and marijuana products.

1 Sec. 4. Subject to the requirements of article IV, part 1,
2 section 1, Constitution of Arizona, title 36, chapter 28.1, Arizona
3 Revised Statutes, is amended by adding section 36-2803.03, to read:

4 36-2803.03. Packaging; restrictions

5 A. A NONPROFIT MEDICAL MARIJUANA DISPENSARY MAY NOT:

6 1. PACKAGE OR LABEL MARIJUANA OR MARIJUANA PRODUCTS IN A FALSE OR
7 MISLEADING MANNER.

8 2. MANUFACTURE OR SELL MARIJUANA PRODUCTS THAT RESEMBLE THE FORM OF
9 A HUMAN, ANIMAL, INSECT, FRUIT, TOY OR CARTOON.

10 3. SELL OR ADVERTISE MARIJUANA OR MARIJUANA PRODUCTS WITH NAMES
11 THAT RESEMBLE OR IMITATE FOOD OR DRINK BRANDS MARKETED TO CHILDREN.

12 4. OTHERWISE ADVERTISE MARIJUANA OR MARIJUANA PRODUCTS TO CHILDREN.

13 B. A NONPROFIT MEDICAL MARIJUANA DISPENSARY THAT VIOLATES THIS
14 SECTION IS SUBJECT TO DISCIPLINARY ACTION BY THE DEPARTMENT PURSUANT TO
15 THIS CHAPTER.

16 Sec. 5. Subject to the requirements of article IV, part 1,
17 section 1, Constitution of Arizona, section 36-2804.02, Arizona Revised
18 Statutes, is amended to read:

19 36-2804.02. Registration of qualifying patients and
20 designated caregivers; exemption

21 A. A qualifying patient may apply to the department for a registry
22 identification card by submitting:

23 1. Written certification issued by a physician within the ninety
24 days immediately preceding the date of application.

25 2. The application fee. **THE DEPARTMENT MAY NOT CHARGE MORE THAN**
26 **\$50 FOR THE APPLICATION FEE.**

27 3. An application, including:

28 (a) **THE** name, mailing address, residence address and date of birth
29 of the qualifying patient, except that if the applicant is homeless no
30 address is required.

31 (b) **THE** name, address and telephone number of the qualifying
32 patient's physician.

33 (c) **THE** name, address and date of birth of the qualifying patient's
34 designated caregiver, if any.

35 (d) A statement signed by the qualifying patient pledging not to
36 divert marijuana to anyone who is not allowed to possess marijuana
37 pursuant to this chapter.

38 (e) A signed statement from the designated caregiver, if any,
39 agreeing to be the patient's designated caregiver and pledging not to
40 divert marijuana to anyone who is not allowed to possess marijuana
41 pursuant to this chapter.

42 (f) A designation as to who will be allowed to cultivate marijuana
43 plants for the qualifying patient's medical use if a registered nonprofit
44 medical marijuana dispensary is not operating within twenty-five miles of
45 the qualifying patient's home.

1 B. The application for a qualifying patient's registry
2 identification card shall ask whether the patient would like the
3 department to notify him of any clinical studies needing human subjects
4 for research on the medical use of marijuana. The department shall notify
5 interested patients if it is notified of studies that will be conducted in
6 the United States.

7 C. A VETERAN OF THE UNITED STATES ARMED FORCES WHO HAS BEEN
8 HONORABLY DISCHARGED IS EXEMPT FROM THE APPLICATION FEE PRESCRIBED IN
9 SUBSECTION A OF THIS SECTION.

10 Sec. 6. Subject to the requirements of article IV, part 1,
11 section 1, Constitution of Arizona, section 36-2804.05, Arizona Revised
12 Statutes, is amended to read:

13 36-2804.05. Denial of registry identification card; notice

14 A. The department may deny an application or renewal of a
15 qualifying patient's registry identification card only if the applicant:

16 1. Does not meet the requirements of section 36-2801,
17 paragraph ~~15~~ 18.

18 2. Does not provide the information required.

19 3. Previously had a registry identification card revoked for
20 violating this chapter.

21 4. Provides false information.

22 B. The department may deny an application or renewal of a
23 designated caregiver's registry identification card if the applicant:

24 1. Does not meet the requirements of section 36-2801,
25 paragraph ~~5~~ 7.

26 2. Does not provide the information required.

27 3. Previously had a registry identification card revoked for
28 violating this chapter.

29 4. Provides false information.

30 C. The department may deny a registry identification card to a
31 nonprofit medical marijuana dispensary agent if:

32 1. The agent applicant does not meet the requirements of section
33 36-2801, paragraph ~~13~~ 16.

34 2. The applicant or dispensary did not provide the required
35 information.

36 3. The agent applicant previously had a registry identification
37 card revoked for violating this chapter.

38 4. The applicant or dispensary provides false information.

39 D. The department may conduct a criminal records check of each
40 designated caregiver or nonprofit medical marijuana dispensary agent
41 applicant to carry out this section.

42 E. The department shall notify the registered nonprofit medical
43 marijuana dispensary in writing of the reason for denying a registry
44 identification card to a nonprofit medical marijuana dispensary agent.

1 F. The department shall notify the qualifying patient in writing of
2 the reason for denying a registry identification card to the qualifying
3 patient's designated caregiver.

4 G. Denial of an application or renewal is considered a final
5 decision of the department subject to judicial review pursuant to title
6 12, chapter 7, article 6. Jurisdiction and venue for judicial review are
7 vested in the superior court.

8 Sec. 7. Subject to the requirements of article IV, part 1,
9 section 1, Constitution of Arizona, title 36, chapter 28.1, Arizona
10 Revised Statutes, is amended by adding section 36-2806.03, to read:

11 36-2806.03. Advertising

12 A. A NONPROFIT MEDICAL MARIJUANA DISPENSARY MAY ENGAGE IN
13 ADVERTISING PURSUANT TO SECTION 36-2859.

14 B. ANY ADVERTISING UNDER THIS CHAPTER INVOLVING DIRECT,
15 INDIVIDUALIZED COMMUNICATION OR DIALOGUE SHALL USE A METHOD OF AGE
16 AFFIRMATION TO VERIFY THAT THE RECIPIENT IS AT LEAST TWENTY-ONE YEARS OF
17 AGE BEFORE ENGAGING IN THAT COMMUNICATION OR DIALOGUE. FOR THE PURPOSES
18 OF THIS SUBSECTION, THE METHOD OF AGE AFFIRMATION MAY INCLUDE USER
19 CONFIRMATION, BIRTH DATE DISCLOSURE OR OTHER SIMILAR REGISTRATION METHODS.

20 Sec. 8. Subject to the requirements of article IV, part 1,
21 section 1, Constitution of Arizona, section 36-2817, Arizona Revised
22 Statutes, is amended to read:

23 36-2817. Medical marijuana fund; private donations; fund
24 transfers; use of monies

25 A. The medical marijuana fund is established consisting of fees
26 collected, civil penalties imposed and private donations received under
27 this chapter. The department shall administer the fund. Monies in the
28 fund are continuously appropriated.

29 B. The director of the department may accept and spend private
30 grants, gifts, donations, contributions and devises to assist in carrying
31 out this chapter.

32 C. Monies in the medical marijuana fund may be used to provide
33 grants for marijuana clinical trials conducted pursuant to section
34 36-2822.

35 D. Monies in the medical marijuana fund do not revert to the state
36 general fund at the end of a fiscal year.

37 E. On November 30, 2020, the director of the department shall
38 transfer the following sums from the medical marijuana fund for the
39 following purposes:

40 1. \$15,000,000 to the Arizona teachers academy fund established by
41 section 15-1655.

42 2. \$10,000,000 to the department to fund the formation and
43 operation of councils, commissions and programs dedicated to improving
44 public health, including teen suicide prevention, the maternal mortality
45 review program, improving youth health, substance abuse prevention,

1 addressing adverse childhood experiences, the Arizona poison control
2 system established pursuant to section 36-1161, the Arizona health
3 improvement plan, the child fatality review team established pursuant to
4 section 36-3501 and the chronic pain self management program.

5 3. \$10,000,000 to the governor's office of highway safety to
6 distribute grants for the following purposes:

7 (a) Reducing impaired driving, including conducting training
8 programs and purchasing equipment for detecting, testing and enforcing
9 laws against driving, flying or boating while impaired.

10 (b) Equipment, training and personnel costs for dedicated traffic
11 enforcement.

12 4. \$2,000,000 to the department to implement, carry out and enforce
13 chapter 28.2 of this title.

14 5. \$4,000,000 to the department to distribute grants to qualified
15 nonprofit entities that will provide outreach to individuals who may be
16 eligible to file petitions for expungement pursuant to section 36-2862 and
17 will assist with the expungement petition process. The department shall
18 distribute grants pursuant to this paragraph on or before June 30, 2021.

19 6. \$2,000,000 to the department of health services to develop and
20 implement, in conjunction with the department of economic security and
21 other state agencies, a social equity ownership program to promote the
22 ownership and operation of marijuana establishments and marijuana testing
23 facilities by individuals from communities disproportionately impacted by
24 the enforcement of previous marijuana laws. For the purposes of this
25 paragraph, "marijuana establishment" and "marijuana testing facility" have
26 the same meanings prescribed in section 36-2850.

27 7. \$1,000,000 to the department to fund programs and grants to
28 qualified nonprofit organizations for education and community outreach
29 related to chapter 28.2 of this title.

30 8. \$1,000,000 to the smart and safe Arizona fund established by
31 section 36-2856.

32 F. After all costs incurred to implement, carry out and enforce
33 this chapter and the rules adopted pursuant to this chapter are paid for
34 fiscal year 2021-2022, the department shall transfer from the medical
35 marijuana fund the following sums for the following purposes:

36 1. \$1,250,000 to the department for suicide prevention.

37 2. \$1,250,000 to the Arizona health care cost containment system
38 for suicide prevention.

39 3. \$2,000,000 to the institute for mental health research for
40 research to improve mental health services, research and education in this
41 state.

42 4. \$2,000,000 to the department for the primary care provider loan
43 repayment program and the rural private primary care provider loan
44 repayment program established by chapter 21 of this title. The department

1 shall prioritize rural providers in the areas of mental health care and
2 behavioral health care if feasible and appropriate.

3 5. \$2,000,000 to the board of medical student loans for the
4 purposes of title 15, chapter 13, article 7. The board shall prioritize
5 students who intend to practice in the area of psychiatry or other areas
6 of practice that treat mental illness if feasible and appropriate.

7 6. \$5,000,000 to county public health departments, in proportion to
8 the population of each county, for the purposes of addressing important
9 public health issues and communities affected by drug addiction and
10 incarceration.

11 7. \$1,000,000 to the department for the health care directives
12 registry established pursuant to section 36-3291.

13 G. Monies transferred pursuant to subsection F of this section do
14 not revert to the state general fund.

15 H. The director shall make a onetime transfer of \$250,000 from the
16 medical marijuana fund to the department to provide grants for marijuana
17 research studies pursuant to section 36-2812.

18 I. The director may use monies in the medical marijuana fund to
19 contract with laboratories pursuant to section 36-2803, subsection ~~F~~ M to
20 comply with the proficiency testing requirements of this chapter for
21 independent third-party laboratories and marijuana testing facilities. On
22 or before July 1 of each year, the department shall report to the joint
23 legislative budget committee expenditures made pursuant to this subsection
24 for the preceding fiscal year.

25 J. MONIES IN THE MEDICAL MARIJUANA FUND ESTABLISHED BY THIS SECTION
26 AND THE SMART AND SAFE ARIZONA FUND ESTABLISHED BY SECTION 36-2856 MAY BE
27 USED INTERCHANGEABLY TO IMPLEMENT AND ENFORCE THIS CHAPTER AND
28 CHAPTER 28.2.

29 Sec. 9. Repeal

30 Section 36-2821, Arizona Revised Statutes, is repealed.

31 Sec. 10. Subject to the requirements of article IV, part 1,
32 section 1, Constitution of Arizona, section 36-2822, Arizona Revised
33 Statutes, is amended to read:

34 36-2822. Arizona biomedical research centre; medical
35 marijuana fund; grants; marijuana clinical trials;
36 requirements; exemption

37 A. The Arizona biomedical research centre in the department shall
38 provide competitive grants from monies in the medical marijuana fund
39 established by section 36-2817 AND THE SMART AND SAFE ARIZONA FUND
40 ESTABLISHED BY SECTION 36-2856 for marijuana clinical trials that are
41 approved by the United States food and drug administration for evaluating
42 both the safety and efficacy of using marijuana in humans and researching
43 the impacts of marijuana interactions with prescription drugs,
44 nonprescription drugs and illicit drugs.

1 B. Clinical trials funded pursuant to subsection A of this section
2 shall be conducted by Arizona-based researchers from nonprofit
3 organizations or universities, be approved by the United States food and
4 drug administration, the United States drug enforcement administration and
5 an institutional review board and be publishable in peer-reviewed medical
6 and public health journals. The centre shall prioritize randomized
7 controlled clinical trials that study the treatment of autism, epilepsy,
8 post-traumatic stress disorder and pain.

9 C. Notwithstanding title 13, chapter 34, a person who receives a
10 grant for a marijuana clinical trial pursuant to this section and any of
11 the person's employees working on the clinical trial may not be charged
12 with or prosecuted for possession of marijuana that is cultivated for
13 medical use when the person is working on the clinical trial.

14 D. The Arizona biomedical research centre may provide up to
15 ~~\$5,000,000~~ \$10,000,000 annually for five consecutive years from A
16 COMBINATION OF the medical marijuana fund established by section 36-2817
17 AND THE SMART AND SAFE ARIZONA FUND ESTABLISHED BY SECTION 36-2856 to
18 administer and award competitive grants pursuant to this section. The
19 centre may not use more than five percent of these monies for
20 administrative purposes.

21 Sec. 11. Subject to the requirements of article IV, part 1,
22 section 1, Constitution of Arizona, section 36-2854, Arizona Revised
23 Statutes, is amended to read:

24 36-2854. Rules; licensing; early applicants; fees; civil
25 penalty; legal counsel

26 A. The department shall adopt rules to implement and enforce this
27 chapter and regulate marijuana, marijuana products, marijuana
28 establishments and marijuana testing facilities. Those rules shall
29 include requirements for:

30 1. Licensing marijuana establishments and marijuana testing
31 facilities, including conducting investigations and background checks to
32 determine eligibility for licensing for marijuana establishment and
33 marijuana testing facility applicants, except that:

34 (a) An application for a marijuana establishment license or
35 marijuana testing facility license may not require the disclosure of the
36 identity of any person who is entitled to a share of less than ten percent
37 of the profits of an applicant that is a publicly traded corporation.

38 (b) The department may not issue more than one marijuana
39 establishment license for every ten pharmacies that have registered under
40 section 32-1929, that have obtained a pharmacy permit from the Arizona
41 board of pharmacy and that operate within this state.

42 (c) Notwithstanding subdivision (b) of this paragraph, the
43 department may issue a marijuana establishment license to not more than
44 two marijuana establishments per county that contains no registered
45 nonprofit medical marijuana dispensaries, or one marijuana establishment

1 license per county that contains one registered nonprofit medical
2 marijuana dispensary. Any license issued pursuant to this subdivision
3 shall be for a fixed county and may not be relocated outside of that
4 county.

5 (d) The department shall accept applications for marijuana
6 establishment licenses from early applicants beginning January 19, 2021
7 through March 9, 2021. Not later than sixty days after receiving an
8 application pursuant to this subdivision, the department shall issue a
9 marijuana establishment license to each qualified early applicant. If the
10 department has not adopted final rules pursuant to this section at the
11 time marijuana establishment licenses are issued pursuant to this
12 subdivision, licensees shall comply with the rules adopted by the
13 department to implement chapter 28.1 of this title except those that are
14 inconsistent with this chapter.

15 (e) After issuing marijuana establishment licenses to qualified
16 early applicants, the department shall issue marijuana establishment
17 licenses available under subdivisions (b) and (c) of this paragraph by
18 random selection and according to rules adopted pursuant to this section.
19 At least sixty days before any random selection, the department shall
20 prominently publicize the random selection on its website and through
21 other means of general distribution intended to reach as many interested
22 parties as possible and shall provide notice through an email notification
23 system to which interested parties can subscribe.

24 (f) Notwithstanding subdivisions (b) and (c) of this paragraph, and
25 not later than six months after the department adopts final rules to
26 implement a social equity ownership program pursuant to paragraph 9 of
27 this subsection, the department shall issue twenty-six additional
28 marijuana establishment licenses to entities that are qualified pursuant
29 to the social equity ownership program.

30 (g) Licenses issued by the department to marijuana establishments
31 and marijuana testing facilities shall be valid for a period of two years.
32 A dual licensee's initial renewal date, which will be the ongoing renewal
33 date for both the dual licensee's marijuana establishment license and
34 nonprofit medical marijuana dispensary registration, is the earlier of:

35 (i) The date of the marijuana establishment license renewal.

36 (ii) The date of the nonprofit medical marijuana dispensary
37 registration renewal.

38 (h) ~~Beginning September 29, 2021,~~ The department may not issue a
39 marijuana establishment or marijuana testing facility license to an
40 applicant who has an ownership interest in an out-of-state marijuana
41 establishment or marijuana testing facility, or the other state's
42 equivalent, that has had its license revoked by the other state.

43 2. Licensing fees and renewal fees for marijuana establishments and
44 marijuana testing facilities in amounts that are reasonable and related to
45 the actual cost of processing applications for licenses and renewals and

1 that do not exceed five times the fees prescribed by the department to
2 register or renew a nonprofit medical marijuana dispensary.

3 3. The security of marijuana establishments and marijuana testing
4 facilities.

5 4. Marijuana establishments to safely cultivate, process and
6 manufacture marijuana and marijuana products. Not later than December 31,
7 2023, the department shall require licensees to procure, develop, acquire
8 and maintain a system to track marijuana and marijuana products at all
9 points of cultivation, manufacturing and sale. The system developed and
10 maintained pursuant to this paragraph shall:

11 (a) Ensure an accurate accounting and reporting of the production,
12 processing and sale of marijuana and marijuana products.

13 (b) Ensure compliance with rules adopted by the department.

14 (c) Be capable of tracking, at a minimum:

15 (i) The propagation of immature marijuana plants and the production
16 of marijuana by a marijuana establishment.

17 (ii) The processing of marijuana and marijuana products by a
18 marijuana establishment.

19 (iii) The sale and purchase of marijuana and marijuana products
20 between licensees.

21 (iv) The transfer of marijuana and marijuana products between
22 premises for which licenses have been issued.

23 (v) The disposal of marijuana waste.

24 (vi) The identity of the person making the entry in the system and
25 the time, date and location of each entry into the system, including any
26 corrections or changes to that information.

27 (vii) Any other information that the department determines is
28 reasonably necessary to ENSURE ACCURACY, PROVIDE FOR CHAIN OF CUSTODY OF
29 THE INFORMATION AND FORECLOSE DATA TAMPERING, HUMAN ERROR OR INTENTIONAL
30 MISREPORTING AND TO accomplish the duties, functions and powers of the
31 department.

32 ~~(d) Contain a transactional stamp to ensure accuracy, provide for~~
33 ~~chain of custody of the information and foreclose tampering of the data,~~
34 ~~human error or intentional misreporting.~~

35 5. Tracking, testing, labeling consistent with section 36-2854.01
36 and packaging marijuana and marijuana products, including requirements
37 that marijuana and marijuana products be:

38 (a) Sold to consumers in clearly and conspicuously labeled
39 containers that contain accurate warnings regarding the use of marijuana
40 or marijuana products.

41 (b) Placed in child-resistant packaging on exit from a marijuana
42 establishment.

43 6. Forms of government-issued identification that are acceptable by
44 a marijuana establishment verifying a consumer's age and procedures
45 related to verifying a consumer's age consistent with section 4-241.

1 Until the department adopts final rules related to verifying a consumer's
2 age, marijuana establishments shall comply with the proof of legal age
3 requirements prescribed in section 4-241.

4 7. The potency of edible marijuana products that may be sold to
5 consumers by marijuana establishments at reasonable levels on
6 consideration of industry standards, except that the rules:

7 (a) Shall limit the strength of edible marijuana products to not
8 more than ten milligrams of tetrahydrocannabinol per serving or one
9 hundred milligrams of tetrahydrocannabinol per package.

10 (b) Shall require that if a marijuana product contains more than
11 one serving, it must be delineated or scored into standard serving sizes
12 and homogenized to ensure uniform disbursement throughout the marijuana
13 product.

14 8. Ensuring the health, safety and training of employees of
15 marijuana establishments and marijuana testing facilities.

16 9. The creation and implementation of a social equity ownership
17 program to promote the ownership and operation of marijuana establishments
18 and marijuana testing facilities by individuals from communities
19 disproportionately impacted by the enforcement of previous marijuana laws.

20 10. Prohibiting a marijuana testing facility from having any direct
21 or indirect familial relationship with or financial ownership interest in
22 a marijuana establishment or related marijuana business entity or
23 management company. The rules shall include prohibiting a marijuana
24 establishment from having any direct or indirect familial relationship
25 with or financial ownership interest in a marijuana testing facility or
26 related marijuana business entity or management company.

27 11. Requiring marijuana establishments to display in a conspicuous
28 location a sign that warns pregnant women about the potential dangers to
29 fetuses caused by smoking or ingesting marijuana while pregnant or to
30 infants while breastfeeding and the risk of being reported to the
31 department of child safety during pregnancy or at the birth of the child
32 by persons who are required to report. The rules shall include the
33 specific warning language that must be included on the sign. The cost and
34 display of the sign required by rule shall be borne by the marijuana
35 establishment.

36 B. The department may:

37 1. Subject to title 41, chapter 6, article 10, deny any application
38 submitted or deny, suspend or revoke, in whole or in part, any
39 registration or license issued under this chapter if the registered or
40 licensed party or an officer, agent or employee of the registered or
41 licensed party does any of the following:

42 (a) Violates this chapter or any rule adopted pursuant to this
43 chapter.

1 (b) Has been, is or may continue to be in substantial violation of
2 the requirements for licensing or registration and, as a result, the
3 health or safety of the general public is in immediate danger.

4 2. Subject to title 41, chapter 6, article 10, and unless another
5 penalty is provided elsewhere in this chapter, assess a civil penalty
6 against a person that violates this chapter or any rule adopted pursuant
7 to this chapter in an amount not to exceed \$2,000 for each violation.
8 Each day a violation occurs constitutes a separate violation. In
9 determining the amount of a civil penalty assessed against a person, the
10 department shall consider all of the factors set forth in section 36-2816,
11 subsection H. All civil penalties collected by the department pursuant to
12 this paragraph shall be deposited in the smart and safe Arizona fund
13 established by section 36-2856.

14 3. At any time during regular hours of operation, visit and inspect
15 a marijuana establishment, marijuana testing facility or dual licensee to
16 determine if it complies with this chapter and rules adopted pursuant to
17 this chapter. The department shall make at least one unannounced visit
18 annually to each facility licensed pursuant to this chapter.

19 4. Adopt any other rules that are not expressly stated in this
20 section and that are necessary to ensure the safe and responsible
21 cultivation, sale, processing, manufacture, testing and transport of
22 marijuana and marijuana products.

23 C. Until the department adopts rules permitting and regulating
24 delivery by marijuana establishments pursuant to subsection D of this
25 section, delivery is unlawful under this chapter.

26 D. On or after January 1, 2023, the department may, and not later
27 than January 1, 2025 the department shall, adopt rules to permit and
28 regulate delivery by marijuana establishments. The rules shall:

29 1. Require that delivery and the marijuana and marijuana products
30 to be delivered originate from a designated retail location of a marijuana
31 establishment and only after an order is made with the marijuana
32 establishment by a consumer.

33 2. Prohibit delivery to any property owned or leased by the United
34 States, this state, a political subdivision of this state or the Arizona
35 board of regents.

36 3. Limit the amount of marijuana and marijuana products based on
37 retail price that may be in a delivery vehicle during a single trip from
38 the designated retail location of a marijuana establishment.

39 4. Prohibit extra or unallocated marijuana or marijuana products in
40 delivery vehicles.

41 5. Require that deliveries be made only by marijuana facility
42 agents in unmarked vehicles that are equipped with a global positioning
43 system or similar location tracking system and video surveillance and
44 recording equipment, and that contain a locked compartment in which
45 marijuana and marijuana products must be stored.

- 1 6. Require delivery logs necessary to ensure compliance with this
2 subsection and rules adopted pursuant to this subsection.
- 3 7. Require inspections to ensure compliance with this subsection
4 and rules adopted pursuant to this subsection.
- 5 8. Include any other provisions necessary to ensure safe and
6 restricted delivery.
- 7 9. Require dual licensees to comply with the rules adopted pursuant
8 to this subsection.
- 9 E. Except as provided in subsection D of this section, the
10 department may not permit delivery of marijuana or marijuana products
11 under this chapter by any individual or entity. In addition to any other
12 penalty imposed by law, an individual or entity that delivers marijuana or
13 marijuana products in a manner that is not authorized by this chapter
14 shall pay a civil penalty of \$20,000 per violation to the smart and safe
15 Arizona fund established by section 36-2856. This subsection may be
16 enforced by the attorney general.
- 17 F. All rules adopted by the department pursuant to this section
18 shall be consistent with the purpose of this chapter.
- 19 G. The department may not adopt any rule that:
- 20 1. Prohibits the operation of marijuana establishments, either
21 expressly or through requirements that make the operation of a marijuana
22 establishment unduly burdensome.
- 23 2. Prohibits or interferes with the ability of a dual licensee to
24 operate a marijuana establishment and a nonprofit medical marijuana
25 dispensary at shared locations.
- 26 H. Notwithstanding section 41-192, the department may employ legal
27 counsel and make an expenditure or incur an indebtedness for legal
28 services for the purposes of:
- 29 1. Defending this chapter or rules adopted pursuant to this
30 chapter.
- 31 2. Defending chapter 28.1 of this title or rules adopted pursuant
32 to chapter 28.1 of this title.
- 33 I. The department shall deposit all license fees, application fees
34 and renewal fees paid to the department pursuant to this chapter in the
35 smart and safe Arizona fund established by section 36-2856.
- 36 J. On request, the department **OF HEALTH SERVICES** shall share with
37 the department of revenue information regarding a marijuana establishment,
38 marijuana testing facility or dual licensee, including its name, physical
39 address, cultivation site and transaction privilege tax license number.
- 40 K. Notwithstanding any other law, the department may:
- 41 1. License an independent third-party laboratory to also operate as
42 a marijuana testing facility.
- 43 2. Operate a marijuana testing facility.

1 L. The department shall maintain and publish a current list of all
2 marijuana establishments and marijuana testing facilities by name and
3 license number.

4 M. Notwithstanding any other law, the issuance of an occupational,
5 professional or other regulatory license or certification to a person by a
6 jurisdiction or regulatory authority outside this state does not entitle
7 that person to be issued a marijuana establishment license, a marijuana
8 testing facility license, or any other license, registration or
9 certification under this chapter.

10 N. Until the department adopts rules as required by subsection A,
11 paragraph 10 of this section:

12 1. A marijuana testing facility is prohibited from having any
13 direct or indirect familial relationship with or financial ownership
14 interest in a marijuana establishment or related marijuana business entity
15 or management company.

16 2. A marijuana establishment is prohibited from having any direct
17 or indirect familial relationship with or financial ownership interest in
18 a marijuana testing facility or related marijuana business entity or
19 management company.

20 Sec. 12. Subject to the requirements of article IV, part 1,
21 section 1, Constitution of Arizona, section 36-2854.01, Arizona Revised
22 Statutes, is amended to read:

23 36-2854.01. Marijuana products; labeling; packaging

24 A. Not later than December 31, 2023, any marijuana product
25 packaging labeled for sale shall include a consumer scannable
26 tetrahydrocannabinol quick response code or similar technology linking to
27 a webpage that displays all of the following for the specific marijuana
28 product:

29 1. The date of harvest of the marijuana.

30 2. The tetrahydrocannabinol strain of the marijuana OR MARIJUANA
31 PRODUCT.

32 3. The tetrahydrocannabinol extraction method used to extract the
33 tetrahydrocannabinol from the marijuana PRODUCT.

34 ~~4. A laboratory report of impurities containing at least heavy~~
35 ~~metals and agrochemicals.~~

36 4. THE TEST RESULTS FOR THE MARIJUANA OR MARIJUANA PRODUCT.

37 5. The date of manufacture of the marijuana product.

38 ~~6. The distribution chain, including at least a point of intended~~
39 ~~sale.~~

40 ~~7. A warning that states, "using marijuana during pregnancy could~~
41 ~~cause birth defects or other health issues to your unborn child."~~

42 6. REQUIRED WARNINGS AS DETERMINED BY THE DEPARTMENT.

43 7. A WARNING THAT STATES, "KEEP ALL MARIJUANA PRODUCTS SAFE AND
44 AWAY FROM CHILDREN. IF INGESTED, CALL POISON CONTROL: (800) 222-1222."

1 B. THE DEPARTMENT SHALL DETERMINE AND ADOPT RULES REGARDING
2 REQUIRED INFORMATION FOR THE MARIJUANA OR MARIJUANA PRODUCT LABEL AND THE
3 WEBPAGE LINKED TO THE QUICK RESPONSE CODE INCLUDED ON THE LABEL.
4 INFORMATION ON THE WEBPAGE SHALL SATISFY ANY LABELING REQUIREMENTS
5 PRESCRIBED IN THIS CHAPTER.

6 Sec. 13. Subject to the requirements of article IV, part 1,
7 section 1, Constitution of Arizona, section 36-2856, Arizona Revised
8 Statutes, is amended to read:

9 36-2856. Smart and safe Arizona fund; disposition of monies;
10 exemption

11 A. The smart and safe Arizona fund is established consisting of all
12 monies deposited pursuant to sections 36-2854, 42-5452 and 42-5503,
13 private donations and interest earned on those monies. Monies in the fund
14 are continuously appropriated. Monies in the fund and its accounts may
15 not be transferred to any other fund except as provided in this section,
16 do not revert to the state general fund and are exempt from the provisions
17 of section 35-190 relating to the lapsing of appropriations. The state
18 treasurer shall administer the fund.

19 B. All monies in the smart and safe Arizona fund must first be
20 spent, and the state treasurer shall transfer monies from the fund, to
21 pay:

22 1. The actual reasonable costs incurred by the department to
23 implement, carry out and enforce this chapter and rules adopted pursuant
24 to this chapter.

25 2. The actual reasonable costs incurred by the department of
26 revenue to impose and enforce the tax authorized and levied by section
27 42-5452.

28 3. The actual reasonable costs incurred by the supreme court and
29 the department of public safety to process petitions for expungement and
30 expungement orders pursuant to section 36-2862 and to otherwise implement
31 section 36-2862.

32 4. The actual reasonable costs incurred by the state treasurer to
33 administer the fund.

34 5. Any other mandatory expenditure of state revenues required by
35 this chapter to implement or enforce the provisions of this chapter.

36 C. The state treasurer may prescribe forms necessary to make
37 transfers from the smart and safe Arizona fund pursuant to subsection B of
38 this section.

39 D. On or before June 30 and December 31 of each year, the state
40 treasurer shall transfer all monies in the smart and safe Arizona fund in
41 excess of the amounts paid pursuant to subsection B of this section as
42 follows:

43 1. ~~33~~ THIRTY-THREE percent to community college districts and
44 provisional community college districts, but not to community college
45 tuition financing districts established pursuant to section 15-1409, for

1 the purposes of investing in and providing workforce development programs,
2 job training, career and technical education, and science, technology,
3 engineering and ~~math~~ MATHEMATICS programs, as follows:

4 (a) ~~15~~ FIFTEEN percent of the ~~33~~ THIRTY-THREE percent divided
5 equally between each community college district.

6 (b) 0.5 percent of the ~~33~~ THIRTY-THREE percent divided equally
7 between each provisional community college district, if one or more
8 provisional community college districts exist.

9 (c) The remainder to community college districts and provisional
10 community colleges districts in proportion to each district's full-time
11 equivalent student enrollment percentage of the total statewide audited
12 full-time equivalent student enrollment in the preceding fiscal year
13 prescribed in section 15-1466.01.

14 2. 31.4 percent to municipal police departments, municipal fire
15 departments, fire districts established pursuant to title 48, chapter 5
16 and county sheriffs' departments in proportion to the number of enrolled
17 members for each such agency in the public safety personnel retirement
18 system established by title 38, chapter 5, article 4 and the public safety
19 personnel defined contribution RETIREMENT plan established ~~by~~ PURSUANT TO
20 title 38, chapter 5, article 4.1, for personnel costs.

21 3. 25.4 percent to the Arizona highway user revenue fund
22 established by section 28-6533.

23 4. ~~10~~ TEN percent to the justice reinvestment fund established by
24 section 36-2863.

25 5. 0.2 percent to the attorney general to use to enforce this
26 chapter, ~~or~~ or to grant to localities to enforce this chapter.

27 E. The monies transferred and received pursuant to this section:

28 1. Are in addition to any other appropriation, transfer or other
29 allocation of monies and may not supplant, replace or cause a reduction in
30 other funding sources.

31 2. Are not considered local revenues for the purposes of article
32 IX, sections 20 and 21, Constitution of Arizona.

33 F. MONIES IN THE SMART AND SAFE ARIZONA FUND ESTABLISHED BY THIS
34 SECTION AND THE MEDICAL MARIJUANA FUND ESTABLISHED BY SECTION 36-2817 MAY
35 BE USED INTERCHANGEABLY TO IMPLEMENT AND ENFORCE THIS CHAPTER AND
36 CHAPTER 28.1.

37 Sec. 14. Section 42-5061, Arizona Revised Statutes, is amended to
38 read:

39 42-5061. Retail classification; definitions

40 A. The retail classification is comprised of the business of
41 selling tangible personal property at retail. The tax base for the retail
42 classification is the gross proceeds of sales or gross income derived from
43 the business. The tax imposed on the retail classification does not apply
44 to the gross proceeds of sales or gross income from:

- 1 1. Professional or personal service occupations or businesses that
2 involve sales or transfers of tangible personal property only as
3 inconsequential elements.
- 4 2. Services rendered in addition to selling tangible personal
5 property at retail.
- 6 3. Sales of warranty or service contracts. The storage, use or
7 consumption of tangible personal property provided under the conditions of
8 such contracts is subject to tax under section 42-5156.
- 9 4. Sales of tangible personal property by any nonprofit
10 organization organized and operated exclusively for charitable purposes
11 and recognized by the United States internal revenue service under section
12 501(c)(3) of the internal revenue code.
- 13 5. Sales to persons engaged in business classified under the
14 restaurant classification of articles used by human beings for food, drink
15 or condiment, whether simple, mixed or compounded.
- 16 6. Business activity that is properly included in any other
17 business classification that is taxable under this article.
- 18 7. The sale of stocks and bonds.
- 19 8. Drugs and medical oxygen, including delivery hose, mask or tent,
20 regulator and tank, if prescribed by a member of the medical, dental or
21 veterinarian profession who is licensed by law to administer such
22 substances.
- 23 9. Prosthetic appliances as defined in section 23-501 and as
24 prescribed or recommended by a health professional who is licensed
25 pursuant to title 32, chapter 7, 8, 11, 13, 14, 15, 16, 17 or 29.
- 26 10. Insulin, insulin syringes and glucose test strips.
- 27 11. Prescription eyeglasses or contact lenses.
- 28 12. Hearing aids as defined in section 36-1901.
- 29 13. Durable medical equipment that has a centers for medicare and
30 medicaid services common procedure code, is designated reimbursable by
31 medicare, is prescribed by a person who is licensed under title 32,
32 chapter 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is
33 primarily and customarily used to serve a medical purpose, is generally
34 not useful to a person in the absence of illness or injury and is
35 appropriate for use in the home.
- 36 14. Sales of motor vehicles to nonresidents of this state for use
37 outside this state if either of the following ~~apply~~ APPLIES:
38 (a) The motor vehicle dealer ships or delivers the motor vehicle to
39 a destination out of this state.
40 (b) The vehicle, trailer or semitrailer has a gross vehicle weight
41 rating of more than ten thousand pounds, is used or maintained to
42 transport property in the furtherance of interstate commerce and otherwise
43 meets the definition of commercial motor vehicle as defined in section
44 28-5201.

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

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

11 17. Textbooks by any bookstore that are required by any state
12 university or community college.

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

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

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

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

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

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

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

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

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

8 22. Motor vehicle fuel and use fuel that are subject to a tax
9 imposed under title 28, chapter 16, article 1, sales of use fuel to a
10 holder of a valid single trip use fuel tax permit issued under section
11 28-5739, sales of aviation fuel that are subject to the tax imposed under
12 section 28-8344 and sales of jet fuel that are subject to the tax imposed
13 under article 8 of this chapter.

14 23. Tangible personal property sold to a person engaged in the
15 business of leasing or renting such property under the personal property
16 rental classification if such property is to be leased or rented by such
17 person.

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

21 25. Tangible personal property sold to:

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

23 (b) A qualifying health care organization as defined in section
24 42-5001 if the tangible personal property is used by the organization
25 solely to provide health and medical related educational and charitable
26 services.

27 (c) A qualifying health care organization as defined in section
28 42-5001 if the organization is dedicated to providing educational,
29 therapeutic, rehabilitative and family medical education training for
30 blind and visually impaired children and children with multiple
31 disabilities from the time of birth to age twenty-one.

32 (d) A qualifying community health center as defined in section
33 42-5001.

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

37 (f) For taxable periods beginning from and after June 30, 2001, a
38 nonprofit charitable organization that has qualified under section
39 501(c)(3) of the internal revenue code and that provides residential
40 apartment housing for low-income persons over sixty-two years of age in a
41 facility that qualifies for a federal housing subsidy, if the tangible
42 personal property is used by the organization solely to provide
43 residential apartment housing for low-income persons over sixty-two years
44 of age in a facility that qualifies for a federal housing subsidy.

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

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

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

9 27. Tangible personal property sold to:

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

15 (i) Incorporated or fabricated by the person into any real
16 property, structure, project, development or improvement as part of the
17 business.

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

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

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

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

32 29. Tangible personal property purchased in this state by a
33 nonprofit charitable organization that has qualified under section
34 501(c)(3) of the United States internal revenue code and that engages in
35 and uses such property exclusively in programs for persons with mental or
36 physical disabilities if the programs are exclusively for training, job
37 placement, rehabilitation or testing.

38 30. Sales of tangible personal property by a nonprofit organization
39 that is exempt from taxation under section 501(c)(3), 501(c)(4) or
40 501(c)(6) of the internal revenue code if the organization is associated
41 with a major league baseball team or a national touring professional
42 golfing association and no part of the organization's net earnings inures
43 to the benefit of any private shareholder or individual. This paragraph
44 does not apply to an organization that is owned, managed or controlled, in
45 whole or in part, by a major league baseball team, or its owners,

1 officers, employees or agents, or by a major league baseball association
2 or professional golfing association, or its owners, officers, employees or
3 agents, unless the organization conducted or operated exhibition events in
4 this state before January 1, 2018 that were exempt from taxation under
5 section 42-5073.

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

11 32. Sales of tangible personal property by a nonprofit organization
12 that is exempt from taxation under section 501(c)(3), 501(c)(4),
13 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code if the
14 organization sponsors or operates a rodeo featuring primarily farm and
15 ranch animals and no part of the organization's net earnings inures to the
16 benefit of any private shareholder or individual.

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

21 ~~(a)~~ includes seeds, seedlings, roots, bulbs, liners, transplants,
22 cuttings, soil and plant additives, agricultural minerals, auxiliary soil
23 and plant substances, micronutrients, fertilizers, insecticides,
24 herbicides, fungicides, soil fumigants, desiccants, rodenticides,
25 adjuvants, plant nutrients and plant growth regulators.

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

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

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

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

40 37. Coal, petroleum, coke, natural gas, virgin fuel oil and
41 electricity sold to a qualified environmental technology manufacturer,
42 producer or processor as defined in section 41-1514.02 and directly used
43 or consumed in generating or providing on-site power or energy solely for
44 environmental technology manufacturing, producing or processing or
45 environmental protection. This paragraph applies for twenty full

1 consecutive calendar or fiscal years from the date the first paper
2 manufacturing machine is placed in service. In the case of an
3 environmental technology manufacturer, producer or processor that does not
4 manufacture paper, the time period begins with the date the first
5 manufacturing, processing or production equipment is placed in service.

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

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

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

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

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

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

42 42. Sales of:

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

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

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

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

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

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

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

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

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

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

41 49. Sales of alternative fuel vehicles if the vehicle was
42 manufactured as a diesel fuel vehicle and converted to operate on
43 alternative fuel and equipment that is installed in a conventional diesel
44 fuel motor vehicle to convert the vehicle to operate on an alternative
45 fuel, as defined in section 1-215.

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

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

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

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

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

18 (b) "Curriculum design or enhancement" means planning, implementing
19 or reporting on courses of study, lessons, assignments or other learning
20 activities.

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

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

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

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

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

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

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

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

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

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

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

25 1. Machinery, or equipment, used directly in manufacturing,
26 processing, fabricating, job printing, refining or metallurgical
27 operations. The terms "manufacturing", "processing", "fabricating", "job
28 printing", "refining" and "metallurgical" as used in this paragraph refer
29 to and include those operations commonly understood within their ordinary
30 meaning. "Metallurgical operations" includes leaching, milling,
31 precipitating, smelting and refining.

32 2. Mining machinery, or equipment, used directly in the process of
33 extracting ores or minerals from the earth for commercial purposes,
34 including equipment required to prepare the materials for extraction and
35 handling, loading or transporting such extracted material to the surface.
36 "Mining" includes underground, surface and open pit operations for
37 extracting ores and minerals.

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

1 4. Machinery, equipment or transmission lines used directly in
2 producing or transmitting electrical power, but not including
3 distribution. Transformers and control equipment used at transmission
4 substation sites constitute equipment used in producing or transmitting
5 electrical power.

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

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

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

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

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

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

27 8. Aircraft, navigational and communication instruments and other
28 accessories and related equipment sold to:

29 (a) A person:

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

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

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

43 (iv) Operating an aircraft to transport persons in any manner for
44 compensation or hire, or for use in a fractional ownership program that
45 meets the requirements of federal aviation administration regulations

1 (14 Code of Federal Regulations part 91, subpart K), including as an air
2 carrier, a foreign air carrier or a commercial operator or under a
3 restricted category, within the meaning of 14 Code of Federal Regulations,
4 regardless of whether the operation or aircraft is regulated or certified
5 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code
6 of Federal Regulations.

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

12 (b) Any foreign government.

13 (c) Persons who are not residents of this state and who will not
14 use such property in this state other than in removing such property from
15 this state. This subdivision also applies to corporations that are not
16 incorporated in this state, regardless of maintaining a place of business
17 in this state, if the principal corporate office is located outside this
18 state and the property will not be used in this state other than in
19 removing the property from this state.

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

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

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

29 12. Buses or other urban mass transit vehicles that are used
30 directly to transport persons or property for hire or pursuant to a
31 governmentally adopted and controlled urban mass transportation program
32 and that are sold to bus companies holding a federal certificate of
33 convenience and necessity or operated by any city, town or other
34 governmental entity or by any person contracting with such governmental
35 entity as part of a governmentally adopted and controlled program to
36 provide urban mass transportation.

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

38 14. Machinery and equipment consisting of agricultural aircraft,
39 tractors, off-highway vehicles, tractor-drawn implements, self-powered
40 implements, machinery and equipment necessary for extracting milk, and
41 machinery and equipment necessary for cooling milk and livestock, and drip
42 irrigation lines not already exempt under paragraph 7 of this subsection
43 and that are used for commercial production of agricultural,
44 horticultural, viticultural and floricultural crops and products in this
45 state. For the purposes of this paragraph:

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

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

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

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

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

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

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

34 (ii) Over two-thirds of the transmissions, measured in megabytes,
35 transmitted by or on behalf of those direct broadcast television or data
36 transmission services during the test period were transmitted by the
37 facility to or on behalf of those services. For the purposes of
38 subdivision (b) of this paragraph, "test period" means the three hundred
39 sixty-five day period beginning on the later of the date on which the
40 tangible personal property is purchased or the date on which the direct
41 broadcast satellite television or data transmission service first
42 transmits information to its customers.

43 17. Clean rooms that are used for manufacturing, processing,
44 fabrication or research and development, as defined in paragraph 15 of
45 this subsection, of semiconductor products. For the purposes of this

1 paragraph, "clean room" means all property that comprises or creates an
2 environment where humidity, temperature, particulate matter and
3 contamination are precisely controlled within specified parameters,
4 without regard to whether the property is actually contained within that
5 environment or whether any of the property is affixed to or incorporated
6 into real property. Clean room:

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

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

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

19 19. Machinery or equipment, including related structural components
20 and containment structures, that is employed in connection with
21 manufacturing, processing, fabricating, job printing, refining, mining,
22 natural gas pipelines, metallurgical operations, telecommunications,
23 producing or transmitting electricity or research and development and that
24 is used directly to meet or exceed rules or regulations adopted by the
25 federal energy regulatory commission, the United States environmental
26 protection agency, the United States nuclear regulatory commission, the
27 Arizona department of environmental quality or a political subdivision of
28 this state to prevent, monitor, control or reduce land, water or air
29 pollution. For the purposes of this paragraph, "containment structure"
30 means a structure that prevents, monitors, controls or reduces noxious or
31 harmful discharge into the environment.

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

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

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

3 (b) Machinery or equipment purchased to replace machinery or
4 equipment for which an exemption was previously claimed and taken under
5 this paragraph.

6 (c) Any machinery or equipment purchased after the television
7 station has ceased analog broadcasting, or purchased after November 1,
8 2009, whichever occurs first.

9 22. Qualifying equipment that is purchased from and after June 30,
10 2004 through June 30, 2024 by a qualified business under section 41-1516
11 for harvesting or processing qualifying forest products removed from
12 qualifying projects as defined in section 41-1516. To qualify for this
13 deduction, the qualified business at the time of purchase must present its
14 certification approved by the department.

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

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

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

29 2. Janitorial equipment and hand tools.

30 3. Office equipment, furniture and supplies.

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

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

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

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

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

43 D. In addition to the deductions from the tax base prescribed by
44 subsection A of this section, there shall be deducted from the tax base
45 the gross proceeds of sales or gross income derived from sales of

1 machinery, equipment, materials and other tangible personal property used
2 directly and predominantly to construct a qualified environmental
3 technology manufacturing, producing or processing facility as described in
4 section 41-1514.02. This subsection applies for ten full consecutive
5 calendar or fiscal years after the start of initial construction.

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

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

16 G. If a person is engaged in the business of selling tangible
17 personal property at both wholesale and retail, the tax under this section
18 applies only to the gross proceeds of the sales made other than at
19 wholesale if the person's books are kept so as to show separately the
20 gross proceeds of sales of each class, and if the books are not so kept,
21 the tax under this section applies to the gross proceeds of every sale so
22 made.

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

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

34 2. Businesses classified under the:

- 35 (a) Transporting classification.
- 36 (b) Utilities classification.
- 37 (c) Telecommunications classification.
- 38 (d) Pipeline classification.
- 39 (e) Private car line classification.
- 40 (f) Publication classification.
- 41 (g) Job printing classification.
- 42 (h) Prime contracting classification.
- 43 (i) Restaurant classification.

1 I. The gross proceeds of sales or gross income derived from the
2 following shall be deducted from the tax base for the retail
3 classification:

4 1. Sales made directly to the United States government or its
5 departments or agencies by a manufacturer, modifier, assembler or
6 repairer.

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

11 3. Overhead materials or other tangible personal property that is
12 used in performing a contract between the United States government and a
13 manufacturer, modifier, assembler or repairer, including property used in
14 performing a subcontract with a government contractor who is a
15 manufacturer, modifier, assembler or repairer, to which title passes to
16 the government under the terms of the contract or subcontract.

17 4. Sales of overhead materials or other tangible personal property
18 to a manufacturer, modifier, assembler or repairer if the gross proceeds
19 of sales or gross income derived from the property by the manufacturer,
20 modifier, assembler or repairer will be exempt under paragraph 3 of this
21 subsection.

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

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

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

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

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

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

42 N. In computing the tax base in the case of the sale or transfer of
43 wireless telecommunications equipment as an inducement to a customer to
44 enter into or continue a contract for telecommunications services that are
45 taxable under section 42-5064, gross proceeds of sales or gross income

1 does not include any sales commissions or other compensation received by
2 the retailer as a result of the customer entering into or continuing a
3 contract for the telecommunications services.

4 O. For the purposes of this section, a sale of wireless
5 telecommunications equipment to a person who holds the equipment for sale
6 or transfer to a customer as an inducement to enter into or continue a
7 contract for telecommunications services that are taxable under section
8 42-5064 is considered to be a sale for resale in the regular course of
9 business.

10 P. Retail sales of prepaid calling cards or prepaid authorization
11 numbers for telecommunications services, including sales of
12 reauthorization of a prepaid card or authorization number, are subject to
13 tax under this section.

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

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

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

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

26 1. The transfer of title or possession of the coal is for the
27 purpose of refining the coal.

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

34 S. If a seller is entitled to a deduction pursuant to subsection B,
35 paragraph 16, subdivision (b) of this section, the department may require
36 the purchaser to establish that the requirements of subsection B,
37 paragraph 16, subdivision (b) of this section have been satisfied. If the
38 purchaser cannot establish that the requirements of subsection B,
39 paragraph 16, subdivision (b) of this section have been satisfied, the
40 purchaser is liable in an amount equal to any tax, penalty and interest
41 that the seller would have been required to pay under article 1 of this
42 chapter if the seller had not made a deduction pursuant to subsection B,
43 paragraph 16, subdivision (b) of this section. Payment of the amount
44 under this subsection exempts the purchaser from liability for any tax
45 imposed under article 4 of this chapter and related to the tangible

1 personal property purchased. The amount shall be treated as transaction
2 privilege tax to the purchaser and as tax revenues collected from the
3 seller to designate the distribution base pursuant to section 42-5029.

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

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

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

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

26 V. For the purposes of this section:

27 1. "Agricultural aircraft" means an aircraft that is built for
28 agricultural use for the aerial application of pesticides or fertilizer or
29 for aerial seeding.

30 2. "Aircraft" includes:

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

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

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

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

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

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

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

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

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

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

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

30 Sec. 15. Rulemaking exemption

31 Notwithstanding any other law, for the purposes of this act, the
32 department of health services is exempt from the rulemaking requirements
33 of title 41, chapters 6 and 6.1, Arizona Revised Statutes, for thirty-six
34 months after the effective date of this act.

35 Sec. 16. Legislative intent

36 The legislature intends that the department of health services meet
37 quarterly to review and receive input regarding the testing of medical
38 marijuana, marijuana and marijuana products in this state. The meetings
39 shall be open to the public, and the public may provide testimony and give
40 input to the department regarding the policy, operations and
41 administrative issues relating to testing medical marijuana, marijuana and
42 marijuana products in this state.

1 Sec. 17. Requirements for enactment: three-fourths vote
2 Pursuant to article IV, part 1, section 1, Constitution of Arizona,
3 sections 36-2801, 36-2801.01, 36-2803, 36-2804.02, 36-2804.05, 36-2817,
4 36-2822, 36-2854, 36-2854.01 and 36-2856, Arizona Revised Statutes, as
5 amended by this act, and sections 36-2803.03 and 36-2806.03, Arizona
6 Revised Statutes, as added by this act, are effective only on the
7 affirmative vote of at least three-fourths of the members of each house of
8 the legislature.