

House Engrossed Senate Bill

~~technical correction; prepaid legal insurance
(now: property rights; zoning ordinances; costs)~~
(now: residential leases; municipal tax exemption)

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

CHAPTER 204
SENATE BILL 1131

AN ACT

AMENDING SECTIONS 9-1304, 11-1704 AND 33-1314, ARIZONA REVISED STATUTES;
AMENDING TITLE 33, CHAPTER 10, ARTICLE 2, ARIZONA REVISED STATUTES, BY
ADDING SECTION 33-1332; REPEALING SECTION 33-1332, ARIZONA REVISED
STATUTES; AMENDING SECTIONS 42-5029 AND 42-6004, ARIZONA REVISED STATUTES;
REPEALING SECTION 42-6011, ARIZONA REVISED STATUTES; AMENDING SECTION
42-15103, ARIZONA REVISED STATUTES; RELATING TO LOCAL EXCISE TAXES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 3. The county notifies all owners of residential rental properties
2 who are then currently registered with the county assessor of the county.

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

5 5. A notice of the public hearing is published in a local newspaper
6 of general circulation and posted on any official county website not less
7 than two weeks before the required public hearing.

8 B. A county shall not adopt a residential rental licensing
9 requirement for residential rental properties or property owners. ~~This
10 subsection does not prohibit a county that imposes a sales tax on rent
11 from requiring a transaction privilege tax license for residential rental
12 property owners.~~

13 C. A county shall not adopt a residential rental registration
14 requirement. A county shall obtain rental registration information only
15 from the county assessor's office

16 Sec. 3. Section 33-1314, Arizona Revised Statutes, is amended to
17 read:

18 33-1314. Terms and conditions of rental agreement; contact
19 information; property; pets

20 A. The landlord and tenant may include in a rental agreement terms
21 and conditions not prohibited by this chapter or any other ~~rule of~~ law,
22 including rent, term of the agreement and other provisions governing the
23 rights and obligations of the parties.

24 B. In the absence of a rental agreement, the tenant shall pay as
25 rent the fair rental value for ~~the use~~ USING and ~~occupancy of~~ OCCUPYING
26 the dwelling unit.

27 C. Rent shall be payable without demand or notice at the time and
28 place agreed on by the parties. Unless otherwise agreed, rent is payable
29 at the dwelling unit and periodic rent is payable at the beginning of any
30 term of one month or less and otherwise in equal monthly installments at
31 the beginning of each month. Unless otherwise agreed, rent shall be
32 uniformly apportionable from day-to-day.

33 D. Unless the rental agreement fixes a definite term, the tenancy
34 shall be week-to-week in case of a roomer who pays weekly rent, and in all
35 other cases month-to-month.

36 ~~E. If a municipality that levies a transaction privilege tax on
37 residential rent changes the percentage of that tax, the landlord on
38 thirty days' written notice to the tenant may adjust the amount of rent
39 due to equal the difference caused by the new percentage amount of the
40 tax. The adjustment to rent shall not occur before the date on which the
41 new tax is effective. In order for a landlord to adjust rent pursuant to
42 this subsection, the landlord's right to adjust rent pursuant to this
43 subsection shall be disclosed in the rental agreement.~~

44 F. E. Notwithstanding section 14-3911, the landlord may request
45 and the tenant may provide and routinely update the name and contact

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

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

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

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

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

39 Sec. 4. Title 33, chapter 10, article 2, Arizona Revised Statutes,
40 is amended by adding section 33-1332, to read:

41 33-1332. Rent reduction; burden of proof

42 A. ON OR BEFORE JANUARY 1, 2025, THE LANDLORD OF REAL PROPERTY THAT
43 IS RENTED OR LEASED FOR RESIDENTIAL PURPOSES AND THAT IS LOCATED IN A
44 CITY, TOWN OR OTHER TAXING JURISDICTION THAT LEVIES A TRANSACTION
45 PRIVILEGE TAX ON THE BUSINESS OF RENTING OR LEASING REAL PROPERTY FOR

1 RESIDENTIAL PURPOSES SHALL NO LONGER CHARGE THE TENANT THE AMOUNT OF THE
2 REPEALED TRANSACTION PRIVILEGE TAX ON THE BUSINESS OF RENTING OR LEASING
3 REAL PROPERTY FOR RESIDENTIAL PURPOSES.

4 B. IN ANY CIVIL ACTION CHALLENGING THE LAWFULNESS OF A CHARGE,
5 ASSESSMENT OR OTHER AMOUNT PURSUANT TO THIS SECTION, THE LANDLORD HAS THE
6 BURDEN OF PROVING BY A PREPONDERANCE OF THE EVIDENCE THAT THE CHALLENGED
7 CHARGE, ASSESSMENT OR OTHER AMOUNT IS NOT ATTRIBUTABLE TO AND DOES NOT
8 REPRESENT ALL OR ANY PORTION OF A CITY'S, TOWN'S OR OTHER TAXING
9 JURISDICTION'S TRANSACTION PRIVILEGE TAX ON THE BUSINESS OF RENTING OR
10 LEASING REAL PROPERTY FOR RESIDENTIAL PURPOSES.

11 Sec. 5. Delayed repeal

12 Section 33-1332, Arizona Revised Statutes, as added by this act, is
13 repealed from and after December 31, 2026.

14 Sec. 6. Section 42-5029, Arizona Revised Statutes, is amended to
15 read:

16 42-5029. Remission and distribution of monies; withholding;
17 definition

18 A. The department shall deposit, pursuant to sections 35-146 and
19 35-147, all revenues collected under this article and articles 4, 5 and 8
20 of this chapter pursuant to section 42-1116, separately accounting for:

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

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

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

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

28 5. Revenues collected pursuant to section 42-5010.01 and section
29 42-5155, subsection E.

30 6. REVENUES COLLECTED PURSUANT TO SECTION 42-5061 FROM A REMOTE
31 SELLER.

32 B. The department shall credit payments of estimated tax to an
33 estimated tax clearing account and each month shall transfer all monies in
34 the estimated tax clearing account to a fund designated as the transaction
35 privilege and severance tax clearing account. The department shall credit
36 all other payments to the transaction privilege and severance tax clearing
37 account, separately accounting for the monies designated as distribution
38 base under sections 42-5010, 42-5164 and 42-5205. Each month the
39 department shall report to the state treasurer the amount of monies
40 collected pursuant to this article and articles 4, 5 and 8 of this
41 chapter.

42 C. On notification by the department, the state treasurer shall
43 distribute the monies deposited in the transaction privilege and severance
44 tax clearing account in the manner prescribed by this section and by

1 sections 42-5164 and 42-5205, after deducting warrants drawn against the
2 account pursuant to sections 42-1118 and 42-1254.

3 D. Of the monies designated as distribution base, the department
4 shall:

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

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

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

15 (b) The proportion that the distribution base monies collected
16 during the calendar month in each county under this article, section
17 42-5164, subsection B and section 42-5205, subsection B bear to the total
18 distribution base monies collected under this article, section 42-5164,
19 subsection B and section 42-5205, subsection B throughout the state for
20 the calendar month.

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

23 (a) Average the following proportions:

24 (i) The proportion that the assessed valuation used to determine
25 secondary property taxes of each county, after deducting that part of the
26 assessed valuation that is exempt from taxation at the beginning of the
27 month for which the amount is to be paid, bears to the total assessed
28 valuations used to determine secondary property taxes of all the counties
29 after deducting that portion of the assessed valuations that is exempt
30 from taxation at the beginning of the month for which the amount is to be
31 paid. Property of a city or town that is not within or contiguous to the
32 municipal corporate boundaries and from which water is or may be withdrawn
33 or diverted and transported for use on other property is considered to be
34 taxable property in the county for purposes of determining assessed
35 valuation in the county under this item.

36 (ii) The proportion that the distribution base monies collected
37 during the calendar month in each county under this article, section
38 42-5164, subsection B and section 42-5205, subsection B bear to the total
39 distribution base monies collected under this article, section 42-5164,
40 subsection B and section 42-5205, subsection B throughout ~~the~~ THIS state
41 for the calendar month.

42 (b) If the proportion computed under subdivision (a) of this
43 paragraph for any county is greater than the proportion computed under
44 paragraph 2 of this subsection, the department shall compute the
45 difference between the amount distributed to that county under paragraph 2

1 of this subsection and the amount that would have been distributed under
2 paragraph 2 of this subsection using the proportion computed under
3 subdivision (a) of this paragraph and shall pay that difference to the
4 county from the amount available for distribution under this paragraph.
5 Any monies remaining after all payments under this subdivision shall be
6 distributed among the counties according to the proportions computed under
7 paragraph 2 of this subsection.

8 4. After any distributions required by sections 42-5030,
9 42-5030.01, 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making
10 any transfer to the water quality assurance revolving fund as required by
11 section 49-282, subsection B, credit the remainder of the monies
12 designated as distribution base to the state general fund. From this
13 amount the legislature shall annually appropriate to:

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

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

18 (c) The firearms safety and ranges fund established by section
19 17-273, ~~fifty thousand dollars~~ \$50,000 derived from the taxes collected
20 from the retail classification pursuant to section 42-5061 for the current
21 fiscal year.

22 E. If approved by the qualified electors voting at a statewide
23 general election, all monies collected pursuant to section 42-5010,
24 subsection G and section 42-5155, subsection D shall be distributed each
25 fiscal year pursuant to this subsection. The monies distributed pursuant
26 to this subsection are in addition to any other appropriation, transfer or
27 other allocation of public or private monies from any other source and
28 shall not supplant, replace or cause a reduction in other school district,
29 charter school, university or community college funding sources. The
30 monies shall be distributed as follows:

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

40 2. After any transfer of monies pursuant to paragraph 1 of this
41 subsection, twelve per cent of the remaining monies collected during the
42 preceding month shall be transferred to the technology and research
43 initiative fund established by section 15-1648 to be distributed among the
44 universities for the purpose of investment in technology and
45 research-based initiatives.

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

6 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of
7 this subsection, one-twelfth of the amount a community college that is
8 owned, operated or chartered by a qualifying Indian tribe on its own
9 Indian reservation would receive pursuant to section 15-1472, subsection
10 D, paragraph 2 if it were a community college district shall be
11 distributed each month to the treasurer or other designated depository of
12 a qualifying Indian tribe. Monies distributed pursuant to this paragraph
13 are for the exclusive purpose of providing support to one or more
14 community colleges owned, operated or chartered by a qualifying Indian
15 tribe and shall be used in a manner consistent with section 15-1472,
16 subsection B. For the purposes of this paragraph, "qualifying Indian
17 tribe" has the same meaning as defined in section 42-5031.01,
18 subsection D.

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

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

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

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

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

28 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
29 \$86,280,500.

30 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of
31 this subsection, seven million eight hundred thousand dollars is
32 appropriated each fiscal year, to be paid in monthly installments, to the
33 department of education to be used for school safety as provided in
34 section 15-154 and two hundred thousand dollars is appropriated each
35 fiscal year, to be paid in monthly installments to the department of
36 education to be used for the character education matching grant program as
37 provided in section 15-154.01.

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

43 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of
44 this subsection, one million five hundred thousand dollars is appropriated

1 each fiscal year, to be paid in monthly installments, to the failing
2 schools tutoring fund established by section 15-241.

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

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

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

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

16 (c) Forty per cent shall be allocated for maintenance and operation
17 purposes.

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

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

38 H. On receiving a certificate of default from the greater Arizona
39 development authority pursuant to section 41-2257 or 41-2258 and to the
40 extent not otherwise expressly prohibited by law, the state treasurer
41 shall withhold from the next succeeding distribution of monies pursuant to
42 this section due to the defaulting political subdivision the amount
43 specified in the certificate of default and immediately deposit the amount
44 withheld in the greater Arizona development authority revolving fund. The
45 state treasurer shall continue to withhold and deposit the monies until

1 the greater Arizona development authority certifies to the state treasurer
2 that the default has been cured. In no event may the state treasurer
3 withhold any amount that the defaulting political subdivision certifies to
4 the state treasurer and the authority as being necessary to make any
5 required deposits then due for the payment of principal and interest on
6 bonds of the political subdivision that were issued before the date of the
7 loan repayment agreement or bonds and that have been secured by a pledge
8 of distributions made pursuant to this section.

9 I. Except as provided by sections 42-5033 and 42-5033.01, the
10 population of a county, city or town as determined by the most recent
11 United States decennial census plus any revisions to the decennial census
12 certified by the United States bureau of the census shall be used as the
13 basis for apportioning monies pursuant to subsection D of this section.

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

30 K. On notice from the auditor general pursuant to section 9-626,
31 subsection D, the state treasurer shall withhold from the distribution of
32 monies pursuant to this section to the affected city the amount computed
33 pursuant to section 9-626, subsection D. The state treasurer shall
34 continue to withhold monies pursuant to this subsection until the entire
35 amount specified in the notice has been withheld. The state treasurer
36 shall credit any monies withheld pursuant to this subsection to the state
37 general fund as provided by subsection D, paragraph 4 of this section.

38 L. Except as otherwise provided by this subsection, on notice from
39 the attorney general pursuant to section 41-194.01, subsection B,
40 paragraph 1 that an ordinance, regulation, order or other official action
41 adopted or taken by the governing body of a county, city or town violates
42 state law or the Constitution of Arizona, the state treasurer shall
43 withhold the distribution of monies pursuant to this section to the
44 affected county, city or town and shall continue to withhold monies
45 pursuant to this subsection until the attorney general certifies to the

1 state treasurer that the violation has been resolved. The state treasurer
2 shall redistribute the monies withheld pursuant to this subsection among
3 all other counties, cities and towns in proportion to their population as
4 provided by subsection D of this section. The state treasurer shall not
5 withhold any amount that the county, city or town certifies to the
6 attorney general and the state treasurer as being necessary to make any
7 required deposits or payments for debt service on bonds or other long-term
8 obligations of the county, city or town that were issued or incurred
9 before committing the violation.

10 M. For the purposes of this section, "community college district"
11 means a community college district that is established pursuant to
12 sections 15-1402 and 15-1403 and that is a political subdivision of this
13 state and, unless otherwise specified, includes a community college
14 tuition financing district established pursuant to section 15-1409.

15 Sec. 7. Section 42-6004, Arizona Revised Statutes, is amended to
16 read:

17 42-6004. Exemption from municipal tax; definitions

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

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

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

36 3. Sales of warranty or service contracts.

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

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

41 (b) The vehicle, trailer or semitrailer has a gross vehicle weight
42 rating of more than ten thousand pounds, is used or maintained to
43 transport property in the furtherance of interstate commerce and otherwise
44 meets the definition of commercial motor vehicle as defined in section
45 28-5201.

1 5. Interest on finance contracts.

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

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

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

8 (a) "Internet" means the computer and telecommunications facilities
9 that comprise the interconnected worldwide network of networks that employ
10 the transmission control protocol or internet protocol, or any predecessor
11 or successor protocol, to communicate information of all kinds by wire or
12 radio.

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

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

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

22 (a) "Affiliated companies, businesses, persons or reciprocal
23 insurers" means the lessor holds a controlling interest in the lessee, the
24 lessee holds a controlling interest in the lessor, affiliated persons hold
25 a controlling interest in both the lessor and the lessee, or an unrelated
26 person holds a controlling interest in both the lessor and lessee.

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

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

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

35 (e) "Reciprocal insurer" has the same meaning prescribed in section
36 20-762.

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

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

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

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

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

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

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

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

22 (i) Assembling the machinery, equipment or other tangible personal
23 property.

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

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

29 (iv) Stabilizing or protecting the machinery, equipment or other
30 tangible personal property during operation by bolting, burying or
31 performing other dissimilar nonpermanent connections to either real
32 property or real property improvements.

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

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

1 14. The gross proceeds of sales or gross income derived from a
2 contract with the owner of real property or improvements to real property
3 for the maintenance, repair, replacement or alteration of existing
4 property, except as specified in this paragraph. The gross proceeds of
5 sales or gross income derived from a de minimis amount of modification
6 activity does not subject the contract or any part of the contract to tax.
7 For the purposes of this paragraph:

8 (a) Each contract is independent of another contract, except that
9 any change order that directly relates to the scope of work of the
10 original contract shall be treated the same as the original contract under
11 this paragraph, regardless of the amount of modification activities
12 included in the change order. If a change order does not directly relate
13 to the scope of work of the original contract, the change order shall be
14 treated as a new contract, with the tax treatment of any subsequent change
15 order to follow the tax treatment of the contract to which the scope of
16 work of the subsequent change order directly relates.

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

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

27 (i) Community facilities districts, fire districts, county
28 television improvement districts, community park maintenance districts,
29 cotton pest control districts, hospital districts, pest abatement
30 districts, health service districts, agricultural improvement districts,
31 county free library districts, county jail districts, county stadium
32 districts, special health care districts, public health services
33 districts, theme park districts or revitalization districts.

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

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

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

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

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

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

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

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

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

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

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

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

34 (b) To a person that is engaged in the business of providing or
35 furnishing electrical services or telecommunication services or that is a
36 cable operator.

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

41 21. The gross proceeds of sales or gross income derived from entry
42 fees paid by participants for events that are operated or conducted by
43 nonprofit organizations that are exempt from taxation under section
44 501(c)(3) of the internal revenue code and of which no part of the
45 organization's net earnings inures to the benefit of any private

1 shareholder or individual, if the event consists of a run, walk, swim or
2 bicycle ride or a similar event, or any combination of these events.

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

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

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

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

17 23. The gross proceeds of sales or gross income derived from a
18 contract to install containment structures. For the purposes of this
19 paragraph, "containment structure" means a structure that prevents,
20 monitors, controls or reduces noxious or harmful discharge into the
21 environment.

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

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

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

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

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

40 4. Incarcerating or detaining in a privately operated prison, jail
41 or detention facility prisoners who are under the jurisdiction of the
42 United States, this state or any other state or a political subdivision of
43 this state or of any other state.

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

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

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

8 (b) The attributable amount is equal to the total amount of
9 development fees paid by the taxpayer or by a contractor providing
10 services to the taxpayer and the total development fees credited in
11 exchange for the construction of, contribution to or dedication of real
12 property for providing public infrastructure, public safety or other
13 public services necessary to the development. The real property must be
14 the subject of the development fees.

15 (c) "Development fees" means fees imposed to offset capital costs
16 of providing public infrastructure, public safety or other public services
17 to a development and authorized pursuant to section 9-463.05, section
18 11-1102 or title 48 regardless of the jurisdiction to which the fees are
19 paid.

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

22 8. Transporting for hire persons by transportation network company
23 drivers on transactions involving transportation network services as
24 defined in section 28-9551.

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

27 10. Transporting for hire persons by vehicle for hire drivers on
28 transactions involving vehicle for hire services as defined in section
29 28-9501.

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

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

40 1. A manufacturer's cash rebate on the sales price of a motor
41 vehicle if the buyer assigns the buyer's right in the rebate to the
42 retailer.

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

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

4 G. A city, town or taxing jurisdiction shall not levy a transaction
5 privilege, sales, gross receipts, use, franchise or other similar tax or
6 fee, however denominated, on gross proceeds of sales or gross income
7 derived from over-the-top services. For the purposes of this subsection,
8 "over-the-top services" means audio or video programming services that are
9 received by the purchaser by means of an internet connection, regardless
10 of the technology used, that include linear or live programming and that
11 are generally considered comparable to programming provided by a radio or
12 television broadcast station and includes related on-demand programming
13 that is provided at no additional charge, regardless of whether the
14 services are provided independently or packaged with other audio or video
15 programming.

16 H. FROM AND AFTER DECEMBER 31, 2024, A CITY, TOWN OR OTHER TAXING
17 JURISDICTION MAY NOT LEVY A TRANSACTION PRIVILEGE, SALES, GROSS RECEIPTS,
18 USE, FRANCHISE OR OTHER SIMILAR TAX OR FEE, HOWEVER DENOMINATED, ON THE
19 BUSINESS OF RENTING OR LEASING REAL PROPERTY FOR RESIDENTIAL PURPOSES.
20 THIS SUBSECTION:

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

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

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

26 1. "Cable operator" has the same meaning prescribed in section
27 9-505 and includes a video service provider.

28 2. "Electrical services" means transmitting or distributing
29 electricity, electric lights, current or power over lines, wires or
30 cables.

31 3. "Telecommunication services" means transmitting or relaying
32 sound, visual image, data, information, images or material over lines,
33 wires or cables by radio signal, light beam, telephone, telegraph or other
34 electromagnetic means.

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

38 Sec. 8. Delayed repeal

39 Section 42-6011, Arizona Revised Statutes, is repealed from and
40 after December 31, 2024.

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

43 42-15103. Contents of notice form

44 The notice form shall:

1 1. Prominently display a statement for all residential properties
2 THAT:
3 (a) ~~which~~ Defines class three properties as described in section
4 42-12003.
5 (b) ~~informing~~ **INFORMS** property owners that if the property listed
6 on the notice does not meet the ~~definition~~ **DESCRIPTION** provided pursuant
7 to subdivision (a) of this ~~section~~ **PARAGRAPH**, the owner must notify the
8 county assessor of the usage of the property or ~~they~~ **THE OWNER** may be
9 subject to a civil penalty prescribed by section 42-12052.
10 2. Include simplified instructions on the procedure and deadlines
11 for appealing the assessed valuation shown on the notice.
12 3. Prominently display a statement informing owners of property
13 that is used for residential rental purposes that:
14 (a) The parcel must be listed on the notice as class four, and the
15 owner must register the residential rental property with the county
16 assessor pursuant to section 33-1902 or the owner may be subject to a
17 penalty.
18 (b) If the owner is required to register the rental property with
19 the county assessor and fails to do so after receipt of this notice, the
20 city or town may impose a civil penalty payable to the city or town in the
21 amount of ~~one hundred fifty dollars~~ **\$150** per day for each day of
22 violation, and the city or town may impose enhanced inspection and
23 enforcement measures on the property.
24 ~~(c) If the city or town in which the property is located requires~~
25 ~~the lessor to pay transaction privilege tax on residential rent, a notice~~
26 ~~of applicable requirements imposed by the city or town and that failure to~~
27 ~~pay the applicable tax could result in a penalty or fine by the city or~~
28 ~~town.~~
29 ~~(d)~~ (c) Residential rental properties are required to comply with
30 the landlord tenant law pursuant to title 33, chapters 10 and 11.
31 Sec. 10. Notice; delayed repeal
32 A. On or before September 30, 2024, the department of revenue shall
33 electronically notify each residential rental transaction privilege tax
34 licensee that a city, town or other taxing jurisdiction that levies a
35 transaction privilege tax on the business of renting or leasing real
36 property for residential purposes will no longer levy the tax from and
37 after December 31, 2024. If the department of revenue is unable to send
38 the notice to a licensee electronically, the department shall send the
39 notice by first class mail to all of the following:
40 1. The address appearing on the residential transaction privilege
41 tax license.
42 2. The address of any property management company, statutory agent
43 or other representative listed as a delegate with the department of
44 revenue for each residential rental property.

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

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

7 C. This section is repealed from and after December 31, 2026.

8 Sec. 11. Legislative intent

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

15 Sec. 12. Effective date

16 Sections 9-1304, 11-1704, 33-1314, 42-5029, 42-6004 and 42-15103,
17 Arizona Revised Statutes, as amended by this act, are effective from and
18 after December 31, 2024.

APPROVED BY THE GOVERNOR AUGUST 01, 2023.

FILED IN THE OFFICE OF THE SECRETARY OF STATE AUGUST 01, 2023.