

PROPOSED
SENATE AMENDMENTS TO H.B. 2252
(Reference to House engrossed bill)

1 Strike everything after the enacting clause and insert:

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

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

6 A. The following fees are required:

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

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

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

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

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

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

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

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

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

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

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

11 8. For the registration of a noncommercial trailer that is not a
12 travel trailer and that is ten thousand pounds or less gross vehicle
13 weight:

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

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

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

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

23 11. For each one trip registration permit issued under section
24 28-2155, ~~one dollar~~ \$1.

25 12. For each temporary general use registration issued under section
26 28-2156, ~~fifteen dollars~~ \$15.

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

29 B. THE DEPARTMENT MAY ESTABLISH BY RULE A FEE FOR EACH SPECIAL TEN
30 DAY NONRESIDENT REGISTRATION PERMIT ISSUED UNDER SECTION 28-2154.

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

- 1 1. Mounted on wheels.
- 2 2. Designed to provide temporary living quarters for recreational,
3 camping or travel use.
- 4 3. Less than eight feet in width and less than forty feet in length.

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

7 28-2154. Special registrations

8 A. A nonresident who purchases an unregistered vehicle in this state
9 for removal to the state of residence of the purchaser shall obtain EITHER
10 a special ninety day nonresident registration permit OR A SPECIAL TEN DAY
11 NONRESIDENT REGISTRATION PERMIT for the vehicle. The nonresident shall
12 obtain the special ninety day nonresident registration permit by applying
13 to the department, to an authorized third party or to a motor vehicle
14 dealer as defined in section 28-4301 OR THE SPECIAL TEN DAY NONRESIDENT
15 REGISTRATION PERMIT BY APPLYING TO THE MOTOR VEHICLE DEALER and by paying
16 the fees prescribed by section 28-2003. Unless the nonresident purchaser
17 has completed a form prescribed by section 42-5009, subsection H, an
18 affidavit in a form prescribed by the director shall accompany the
19 application and shall contain the following statements:

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

25 2. The vehicle is purchased to be registered out of state within
26 ninety days after the issuance of the special ninety day nonresident
27 registration permit OR WITHIN TEN DAYS AFTER THE ISSUANCE OF THE SPECIAL
28 TEN DAY NONRESIDENT REGISTRATION PERMIT.

29 3. The vehicle is not purchased for transfer to a resident of this
30 state.

31 4. Other information that the director deems necessary.

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

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

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

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

1 (b) COMPLETES AN AFFIDAVIT IN A FORM PRESCRIBED BY THE DIRECTOR
2 PURSUANT TO SECTION 28-2154 OR COMPLETES A FORM PRESCRIBED BY SECTION
3 42-5009, SUBSECTION H.

4 (c) PRESENTS TO THE MOTOR VEHICLE DEALER A CURRENT VALID DRIVER
5 LICENSE ISSUED BY ANOTHER STATE INDICATING AN ADDRESS OUTSIDE OF THIS
6 STATE.

7 (d) PROVIDES ANY OTHER INFORMATION REASONABLY AND UNIFORMLY REQUIRED
8 BY THE DEPARTMENT OF TRANSPORTATION PURSUANT TO SECTION 28-2154 OR THE
9 DEPARTMENT OF REVENUE PURSUANT TO SECTION 42-5009, SUBSECTION H.

10 2. FOR FISCAL YEAR 2023-2024, ISSUE NOT MORE THAN FIVE HUNDRED
11 SPECIAL TEN DAY NONRESIDENT REGISTRATION PERMITS. EACH FISCAL YEAR
12 THEREAFTER, THE LIMIT PRESCRIBED BY THIS SUBDIVISION SHALL INCREASE BY TEN
13 PERCENT.

14 3. ISSUE AND AFFIX, AS PRESCRIBED IN SUBSECTION C OF THIS SECTION, A
15 SPECIAL TEN DAY NONRESIDENT REGISTRATION PERMIT ONLY IF THE PERMIT IS
16 RECORDED IN THE ELECTRONIC RECORDS OF THE DEPARTMENT.

17 C. A MOTOR VEHICLE DEALER THAT ISSUES A SPECIAL TEN DAY NONRESIDENT
18 REGISTRATION PERMIT SHALL AFFIX OR INSERT, CLEARLY AND INDELIBLY, ON THE
19 FACE OF EACH PERMIT THE DATES OF ISSUANCE AND EXPIRATION AND THE MAKE AND
20 VEHICLE IDENTIFICATION NUMBER OF THE VEHICLE. THE SPECIAL TEN DAY
21 NONRESIDENT REGISTRATION PERMIT MAY NOT BEAR THE NAME OR ADDRESS OF THE
22 PERSON WHO PURCHASED THE VEHICLE IN A POSITION THAT IS LEGIBLE FROM OUTSIDE
23 OF THE VEHICLE.

24 D. A MOTOR VEHICLE DEALER THAT ISSUES A SPECIAL TEN DAY NONRESIDENT
25 REGISTRATION PERMIT SHALL MAINTAIN A RECORD, IN A FORM PRESCRIBED BY THE
26 DIRECTOR, OF ALL SPECIAL TEN DAY NONRESIDENT REGISTRATION PERMITS ISSUED BY
27 THE MOTOR VEHICLE DEALER AND A RECORD OF OTHER INFORMATION PERTAINING TO
28 THE ISSUANCE OF SPECIAL TEN DAY NONRESIDENT REGISTRATION PERMITS THAT THE
29 DEPARTMENT OF TRANSPORTATION OR THE DEPARTMENT OF REVENUE REQUIRES.

30 E. THE MOTOR VEHICLE DEALER SHALL KEEP EACH RECORD FOR AT LEAST
31 THREE YEARS AFTER THE DATE OF ENTRY OF THE RECORD.

1 F. A MOTOR VEHICLE DEALER SHALL ALLOW THE DIRECTOR OF THE DEPARTMENT
2 OF TRANSPORTATION OR THE DIRECTOR OF THE DEPARTMENT OF REVENUE FULL AND
3 FREE ACCESS TO THE RECORDS DURING REGULAR BUSINESS HOURS.

4 G. THE ELECTRONIC RECORD IS WRITTEN NOTICE OF THE REMOVAL OF THE
5 VEHICLE FROM THIS STATE FOR USE IN THE PURCHASER'S STATE OF RESIDENCE AND
6 RELIEVES THE MOTOR VEHICLE DEALER OR AUTHORIZED THIRD PARTY OF LIABILITY IN
7 ACCORDANCE WITH THE REQUIREMENTS OF SECTION 42-5009.

8 H. IF A PURCHASER REGISTERS THE VEHICLE IN THIS STATE WITHIN THREE
9 HUNDRED SIXTY-FIVE DAYS AFTER THE ISSUANCE OF THE SPECIAL TEN DAY
10 NONRESIDENT REGISTRATION PERMIT, THE PURCHASER IS LIABLE IN AN AMOUNT EQUAL
11 TO ANY TAX, PENALTY AND INTEREST THAT THE MOTOR VEHICLE DEALER OR
12 AUTHORIZED THIRD PARTY WOULD HAVE BEEN REQUIRED TO PAY UNDER TITLE 42,
13 CHAPTER 5 AND UNDER ARTICLES IV AND VI OF THE MODEL CITY TAX CODE AS
14 DEFINED IN SECTION 42-6051. AT THE TIME THE SPECIAL TEN DAY NONRESIDENT
15 REGISTRATION PERMIT IS ISSUED, A MOTOR VEHICLE DEALER SHALL INFORM THE
16 PURCHASER IN WRITING OF THE PURCHASER'S LIABILITY DESCRIBED IN THIS
17 SECTION. SUBSEQUENT REGISTRATION OR USE OF THE VEHICLE IN THIS STATE DOES
18 NOT ESTABLISH A CAUSE OF ACTION AGAINST A MOTOR VEHICLE DEALER OR
19 AUTHORIZED THIRD PARTY THAT COMPLIES WITH SECTION 28-2154, SUBSECTION A,
20 THIS SECTION AND SECTION 42-5009, SUBSECTION H.

21 I. THE DEPARTMENT OF TRANSPORTATION AND THE DEPARTMENT OF REVENUE
22 SHALL JOINTLY DEVELOP AND PRESCRIBE FORMS FOR THE MOTOR VEHICLE DEALER AND
23 THE PURCHASER TO COMPLETE FOR THE PROPER ADMINISTRATION AND ENFORCEMENT OF
24 THIS SECTION.

25 J. COMPLIANCE WITH THIS SECTION AND SECTION 28-2154 ALLOWS DELIVERY
26 OF THE VEHICLE TO A NONRESIDENT PURCHASER IN THIS STATE AND RETAINS THE
27 APPLICABLE DEDUCTIONS PURSUANT TO SECTION 42-5061, SUBSECTION A, PARAGRAPH
28 14, SUBDIVISION (c).

1 Sec. 4. Section 42-5061, Arizona Revised Statutes, is amended to
2 read:

3 42-5061. Retail classification; definitions

4 A. The retail classification is comprised of the business of selling
5 tangible personal property at retail. The tax base for the retail
6 classification is the gross proceeds of sales or gross income derived from
7 the business. The tax imposed on the retail classification does not apply
8 to the gross proceeds of sales or gross income from:

9 1. Professional or personal service occupations or businesses that
10 involve sales or transfers of tangible personal property only as
11 inconsequential elements.

12 2. Services rendered in addition to selling tangible personal
13 property at retail.

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

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

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

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

26 7. The sale of stocks and bonds.

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

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

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

5 11. Prescription eyeglasses or contact lenses.

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

7 13. Durable medical equipment that has a centers for medicare and
8 medicaid services common procedure code, is designated reimbursable by
9 medicare, is prescribed by a person who is licensed under title 32, chapter
10 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is primarily and
11 customarily used to serve a medical purpose, is generally not useful to a
12 person in the absence of illness or injury and is appropriate for use in
13 the home.

14 14. Sales of motor vehicles to nonresidents of this state for use
15 outside this state if ~~either~~ ANY of the following ~~apply~~ APPLIES:

16 (a) The motor vehicle dealer ships or delivers the motor vehicle to
17 a destination out of this state.

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

22 (c) THE MOTOR VEHICLE DEALER SELLS THE MOTOR VEHICLE TO A
23 NONRESIDENT WHO HAS SECURED A SPECIAL TEN DAY NONRESIDENT REGISTRATION
24 PERMIT FOR THE MOTOR VEHICLE AS PRESCRIBED BY SECTIONS 28-2154 AND
25 28-2154.02.

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

28 16. Items purchased with United States department of agriculture
29 coupons issued under the supplemental nutrition assistance program pursuant
30 to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703; 7 United
31 States Code sections 2011 through 2036b) by the United States department of
32 agriculture food and nutrition service or food instruments issued under

1 section 17 of the child nutrition act (P.L. 95-627; 92 Stat. 3603;
2 P.L. 99-661, section 4302; P.L. 111-296; 42 United States Code section
3 1786).

4 17. Textbooks by any bookstore that are required by any state
5 university or community college.

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

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

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

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

24 (a) "Cash equivalents" means items or intangibles, whether or not
25 negotiable, that are sold to one or more persons, through which a value
26 denominated in money is purchased in advance and may be redeemed in full or
27 in part for tangible personal property, intangibles or services. Cash
28 equivalents include gift cards, stored value cards, gift certificates,
29 vouchers, traveler's checks, money orders or other instruments, orders or
30 electronic mechanisms, such as an electronic code, personal identification
31 number or digital payment mechanism, or any other prepaid intangible right
32 to acquire tangible personal property, intangibles or services in the

1 future, whether from the seller of the cash equivalent or from another
2 person. Cash equivalents do not include either of the following:

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

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

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

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

14 22. Motor vehicle fuel and use fuel that are subject to a tax
15 imposed under title 28, chapter 16, article 1, sales of use fuel to a
16 holder of a valid single trip use fuel tax permit issued under section
17 28-5739, sales of aviation fuel that are subject to the tax imposed under
18 section 28-8344 and sales of jet fuel that are subject to the tax imposed
19 under article 8 of this chapter.

20 23. Tangible personal property sold to a person engaged in the
21 business of leasing or renting such property under the personal property
22 rental classification if such property is to be leased or rented by such
23 person.

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

27 25. Tangible personal property sold to:

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

29 (b) A qualifying health care organization as defined in section
30 42-5001 if the tangible personal property is used by the organization
31 solely to provide health and medical related educational and charitable
32 services.

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

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

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

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

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

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

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

27 27. Tangible personal property sold to:

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

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

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

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

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

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

17 29. Tangible personal property purchased in this state by a
18 nonprofit charitable organization that has qualified under section
19 501(c)(3) of the United States internal revenue code and that engages in
20 and uses such property exclusively in programs for persons with mental or
21 physical disabilities if the programs are exclusively for training, job
22 placement, rehabilitation or testing.

23 30. Sales of tangible personal property by a nonprofit organization
24 that is exempt from taxation under section 501(c)(3), 501(c)(4) or
25 501(c)(6) of the internal revenue code if the organization is associated
26 with a major league baseball team or a national touring professional
27 golfing association and no part of the organization's net earnings inures
28 to the benefit of any private shareholder or individual. This paragraph
29 does not apply to an organization that is owned, managed or controlled, in
30 whole or in part, by a major league baseball team, or its owners, officers,
31 employees or agents, or by a major league baseball association or
32 professional golfing association, or its owners, officers, employees or

1 agents, unless the organization conducted or operated exhibition events in
2 this state before January 1, 2018 that were exempt from taxation under
3 section 42-5073.

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

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

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

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

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

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

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

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

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

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

30 39. Through December 31, 1994, personal property liquidation
31 transactions, conducted by a personal property liquidator. From and after
32 December 31, 1994, personal property liquidation transactions shall be

1 taxable under this section provided that nothing in this subsection shall
2 be construed to authorize the taxation of casual activities or transactions
3 under this chapter. For the purposes of this paragraph:

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

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

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

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

21 42. Sales of:

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

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

31 43. Sales of implants used as growth promotants and injectable
32 medicines, not already exempt under paragraph 8 of this subsection, for

1 livestock or poultry owned by or in possession of persons that are engaged
2 in producing livestock, poultry, or livestock or poultry products or that
3 are engaged in feeding livestock or poultry commercially. For the purposes
4 of this paragraph, "poultry" includes ratites.

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

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

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

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

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

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

24 48. Tangible personal property sold to a commercial airline and
25 consisting of food, beverages and condiments and accessories used for
26 serving the food and beverages, if those items are to be provided without
27 additional charge to passengers for consumption in flight. For the
28 purposes of this paragraph, "commercial airline" means a person holding a
29 federal certificate of public convenience and necessity or foreign air
30 carrier permit for air transportation to transport persons, property or
31 United States mail in intrastate, interstate or foreign commerce.

1 49. Sales of alternative fuel vehicles if the vehicle was
2 manufactured as a diesel fuel vehicle and converted to operate on
3 alternative fuel and equipment that is installed in a conventional diesel
4 fuel motor vehicle to convert the vehicle to operate on an alternative
5 fuel, as defined in section 1-215.

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

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

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

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

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

23 (b) "Curriculum design or enhancement" means planning, implementing
24 or reporting on courses of study, lessons, assignments or other learning
25 activities.

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

30 55. Sales of repair parts installed in equipment used directly by a
31 qualified business under section 41-1516 in harvesting, processing or

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

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

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

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

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

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

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

30 59. Sales of works of fine art, as defined in section 44-1771, at an
31 art auction or gallery in this state to nonresidents of this state for use

1 outside this state if the vendor ships or delivers the work of fine art to
2 a destination outside this state.

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

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

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

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

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

31 4. Machinery, equipment or transmission lines used directly in
32 producing or transmitting electrical power, but not including

1 distribution. Transformers and control equipment used at transmission
2 substation sites constitute equipment used in producing or transmitting
3 electrical power.

4 5. Machinery and equipment used directly for energy storage for
5 later 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 6. Neat animals, horses, asses, sheep, ratices, swine or goats used
18 or to be used as breeding or production stock, including sales of breedings
19 or ownership shares in such animals used for breeding or production.

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

24 8. Aircraft, navigational and communication instruments and other
25 accessories and related equipment sold to:

26 (a) A person:

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

31 (ii) That is certificated or licensed under federal aviation
32 administration regulations (14 Code of Federal Regulations part 121 or 135)

1 as a scheduled or unscheduled carrier of persons for hire for use as or in
2 conjunction with or becoming part of an aircraft to be used to transport
3 persons for hire in intrastate, interstate or foreign commerce.

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

8 (iv) Operating an aircraft to transport persons in any manner for
9 compensation or hire, or for use in a fractional ownership program that
10 meets the requirements of federal aviation administration regulations
11 (14 Code of Federal Regulations part 91, subpart K), including as an air
12 carrier, a foreign air carrier or a commercial operator or under a
13 restricted category, within the meaning of 14 Code of Federal Regulations,
14 regardless of whether the operation or aircraft is regulated or certified
15 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code
16 of Federal Regulations.

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

22 (b) Any foreign government.

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

30 9. Machinery, tools, equipment and related supplies used or consumed
31 directly in repairing, remodeling or maintaining aircraft, aircraft engines

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

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

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

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

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

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

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

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

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

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

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

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

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

25 (ii) Over two-thirds of the transmissions, measured in megabytes,
26 transmitted by or on behalf of those direct broadcast television or data
27 transmission services during the test period were transmitted by the
28 facility to or on behalf of those services. For the purposes of
29 subdivision (b) of this paragraph, "test period" means the three hundred
30 sixty-five day period beginning on the later of the date on which the
31 tangible personal property is purchased or the date on which the direct

1 broadcast satellite television or data transmission service first transmits
2 information to its customers.

3 17. Clean rooms that are used for manufacturing, processing,
4 fabrication or research and development, as defined in paragraph 15 of this
5 subsection, of semiconductor products. For the purposes of this paragraph,
6 "clean room" means all property that comprises or creates an environment
7 where humidity, temperature, particulate matter and contamination are
8 precisely controlled within specified parameters, without regard to whether
9 the property is actually contained within that environment or whether any
10 of the property is affixed to or incorporated into real property. Clean
11 room:

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

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

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

24 19. Machinery or equipment, including related structural components
25 and containment structures, that is employed in connection with
26 manufacturing, processing, fabricating, job printing, refining, mining,
27 natural gas pipelines, metallurgical operations, telecommunications,
28 producing or transmitting electricity or research and development and that
29 is used directly to meet or exceed rules or regulations adopted by the
30 federal energy regulatory commission, the United States environmental
31 protection agency, the United States nuclear regulatory commission, the
32 Arizona department of environmental quality or a political subdivision of

1 this state to prevent, monitor, control or reduce land, water or air
2 pollution. For the purposes of this paragraph, "containment structure"
3 means a structure that prevents, monitors, controls or reduces noxious or
4 harmful discharge into the environment.

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

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

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

21 (b) Machinery or equipment purchased to replace machinery or
22 equipment for which an exemption was previously claimed and taken under
23 this paragraph.

24 (c) Any machinery or equipment purchased after the television
25 station has ceased analog broadcasting, or purchased after November 1,
26 2009, whichever occurs first.

27 22. Qualifying equipment that is purchased from and after June 30,
28 2004 through June 30, 2024 by a qualified business under section 41-1516
29 for harvesting or processing qualifying forest products removed from
30 qualifying projects as defined in section 41-1516. To qualify for this
31 deduction, the qualified business at the time of purchase must present its
32 certification approved by the department.

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

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

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

15 2. Janitorial equipment and hand tools.

16 3. Office equipment, furniture and supplies.

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

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

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

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

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

29 D. In addition to the deductions from the tax base prescribed by
30 subsection A of this section, there shall be deducted from the tax base the
31 gross proceeds of sales or gross income derived from sales of machinery,
32 equipment, materials and other tangible personal property used directly and

1 predominantly to construct a qualified environmental technology
2 manufacturing, producing or processing facility as described in section
3 41-1514.02. This subsection applies for ten full consecutive calendar or
4 fiscal years after the start of initial construction.

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

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

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

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

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

1 2. Businesses classified under the:

- 2 (a) Transporting classification.
- 3 (b) Utilities classification.
- 4 (c) Telecommunications classification.
- 5 (d) Pipeline classification.
- 6 (e) Private car line classification.
- 7 (f) Publication classification.
- 8 (g) Job printing classification.
- 9 (h) Prime contracting classification.
- 10 (i) Restaurant classification.

11 I. The gross proceeds of sales or gross income derived from the
12 following shall be deducted from the tax base for the retail
13 classification:

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

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

20 3. Overhead materials or other tangible personal property that is
21 used in performing a contract between the United States government and a
22 manufacturer, modifier, assembler or repairer, including property used in
23 performing a subcontract with a government contractor who is a
24 manufacturer, modifier, assembler or repairer, to which title passes to the
25 government under the terms of the contract or subcontract.

26 4. Sales of overhead materials or other tangible personal property
27 to a manufacturer, modifier, assembler or repairer if the gross proceeds of
28 sales or gross income derived from the property by the manufacturer,
29 modifier, assembler or repairer will be exempt under paragraph 3 of this
30 subsection.

31 J. There shall be deducted from the tax base fifty percent of the
32 gross proceeds or gross income from any sale of tangible personal property

1 made directly to the United States government or its departments or
2 agencies that is not deducted under subsection I of this section.

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

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

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

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

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

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

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

1 P. Retail sales of prepaid calling cards or prepaid authorization
2 numbers for telecommunications services, including sales of reauthorization
3 of a prepaid card or authorization number, are subject to tax under this
4 section.

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

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

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

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

17 1. The transfer of title or possession of the coal is for the
18 purpose of refining the coal.

19 2. The title or possession of the coal is transferred back to the
20 owner or operator of the power plant after completion of the coal refining
21 process. For the purposes of this paragraph, "coal refining process" means
22 the application of a coal additive system that aids in the reduction of
23 power plant emissions during the combustion of coal and the treatment of
24 flue gas.

25 S. If a seller is entitled to a deduction pursuant to subsection B,
26 paragraph 16, subdivision (b) of this section, the department may require
27 the purchaser to establish that the requirements of subsection B,
28 paragraph 16, subdivision (b) of this section have been satisfied. If the
29 purchaser cannot establish that the requirements of subsection B,
30 paragraph 16, subdivision (b) of this section have been satisfied, the
31 purchaser is liable in an amount equal to any tax, penalty and interest
32 that the seller would have been required to pay under article 1 of this

1 chapter if the seller had not made a deduction pursuant to subsection B,
2 paragraph 16, subdivision (b) of this section. Payment of the amount under
3 this subsection exempts the purchaser from liability for any tax imposed
4 under article 4 of this chapter and related to the tangible personal
5 property purchased. The amount shall be treated as transaction privilege
6 tax to the purchaser and as tax revenues collected from the seller to
7 designate the distribution base pursuant to section 42-5029.

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

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

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

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

1 V. For the purposes of this section:

2 1. "Agricultural aircraft" means an aircraft that is built for
3 agricultural use for the aerial application of pesticides or fertilizer or
4 for aerial seeding.

5 2. "Aircraft" includes:

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

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

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

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

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

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

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

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

31 4. "Overhead materials" means tangible personal property, the gross
32 proceeds of sales or gross income derived from that would otherwise be

1 included in the retail classification, and that are used or consumed in
2 performing a contract, the cost of which is charged to an overhead expense
3 account and allocated to various contracts based on generally accepted
4 accounting principles and consistent with government contract accounting
5 standards.

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

8 6. "Subcontract" means an agreement between a contractor and any
9 person who is not an employee of the contractor for furnishing supplies or
10 services that, in whole or in part, are necessary to perform one or more
11 government contracts, or under which any portion of the contractor's
12 obligation under one or more government contracts is performed, undertaken
13 or assumed and that includes provisions causing title to overhead materials
14 or other tangible personal property used in performing the subcontract to
15 pass to the government or that includes provisions incorporating such title
16 passing clauses in a government contract into the subcontract.

17 Sec. 5. Section 42-6017, Arizona Revised Statutes, is amended to
18 read:

19 42-6017. Municipal taxation of businesses selling tangible
20 personal property at retail; state preemption;
21 exceptions; definitions

22 A. Except as provided in this section, section 42-5061 supersedes
23 all city or town ordinances or other local laws insofar as the ordinances
24 or local laws now or hereafter relate to the taxation of business
25 activities classified under section 42-5061.

26 B. The municipal tax rate for businesses selling tangible personal
27 property at retail for marketplace facilitators is the municipal tax rate
28 that is in effect in the city or town for businesses selling tangible
29 personal property at retail on September 30, 2019, until the city or town
30 changes the tax rate.

1 C. A city or town may:

2 1. Notwithstanding section 42-5061, subsection A, paragraph 15, levy
3 a transaction privilege tax on the gross proceeds of sales or gross income
4 derived from the business of selling food at retail by the persons
5 described in section 42-5102, subsection A, subject to the conditions of
6 sections 42-5074, 42-5101 and 42-6015.

7 2. Notwithstanding section 42-5061, subsection A, paragraph 17, levy
8 a transaction privilege tax on the gross proceeds of sales or gross income
9 derived from a bookstore selling textbooks that are required by any state
10 university or community college.

11 3. Notwithstanding section 42-5061, subsection A, paragraph 33,
12 paragraph 42, subdivision (b) and paragraph 43 and subsection B, paragraph
13 5, continue to levy an existing transaction privilege tax that was levied
14 on or before May 1, 2019 on the gross proceeds of sales or gross income
15 derived from the sales of:

16 (a) Propagative materials to persons who use those items to
17 commercially produce agricultural, horticultural, viticultural or
18 floricultural crops in this state. This subdivision does not apply and a
19 city or town may not continue to levy a transaction privilege tax pursuant
20 to this subdivision as follows:

21 (i) For a city or town with a population of fifty thousand persons
22 or less, from and after June 30, 2021.

23 (ii) For a city or town with a population of more than fifty
24 thousand persons, from and after December 31, 2019.

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

31 (c) Implants used as growth promotants and injectable medicines, not
32 already exempt under section 42-5061, subsection A, paragraph 8, for

1 livestock or poultry owned by or in possession of persons who are engaged
2 in producing livestock, poultry, or livestock or poultry products or who
3 are engaged in feeding livestock or poultry commercially. This subdivision
4 does not apply and a city or town may not continue to levy a transaction
5 privilege tax pursuant to this subdivision as follows:

6 (i) For a city or town with a population of fifty thousand persons
7 or less, from and after June 30, 2021.

8 (ii) For a city or town with a population of more than fifty
9 thousand persons, from and after December 31, 2019.

10 (d) Neat animals, horses, asses, sheep, ratites, swine or goats used
11 or to be used as breeding or production stock, including sales of breedings
12 or ownership shares in such animals used for breeding or production. This
13 subdivision does not apply and a city or town may not continue to levy a
14 transaction privilege tax pursuant to this subdivision as follows:

15 (i) For a city or town with a population of fifty thousand persons
16 or less, from and after June 30, 2021.

17 (ii) For a city or town with a population of more than fifty
18 thousand persons, from and after December 31, 2019.

19 4. Levy a transaction privilege tax on the gross proceeds of sales
20 or gross income derived from the sale of nonmetalliferous mined materials
21 at retail.

22 5. Notwithstanding section 42-5061, subsection A, paragraph 59, levy
23 a transaction privilege tax on the gross proceeds of sales or gross income
24 derived from the sale of works of fine art, as defined in section 44-1771,
25 at an art auction or gallery in this state to nonresidents of this state
26 for use outside this state if the vendor ships or delivers the work of fine
27 art to a destination outside this state.

28 6. Notwithstanding section 42-5061, subsection A, paragraph 28 or
29 section 42-5122, levy a transaction privilege tax on the gross proceeds of
30 sales or gross income derived from the sale of a motor vehicle to:

31 (a) A nonresident of this state if the purchaser's state of
32 residence does not allow a corresponding use tax exemption to the tax

1 imposed by chapter 5, article 1 of this title and if the nonresident has
2 secured a special ninety day nonresident registration permit for the
3 vehicle as prescribed by sections 28-2154 and 28-2154.01. This subdivision
4 does not apply if the purchaser takes possession of the vehicle outside of
5 this state.

6 (b) An enrolled member of an Indian tribe who resides on the Indian
7 reservation established for that tribe, except if possession of the vehicle
8 is received on the enrolled member's Indian reservation.

9 7. Exempt from transaction privilege, sales, use or other similar
10 tax the sale of paintings, sculptures or similar works of fine art, if such
11 works of fine art are sold by the original artist. For the purposes of
12 this paragraph, fine art does not include an art creation such as jewelry,
13 macramé, glasswork, pottery, woodwork, metalwork, furniture or clothing if
14 the art creation has a dual purpose, both aesthetic and utilitarian,
15 whether sold by the artist or by another person.

16 8. NOTWITHSTANDING SECTION 42-5061, SUBSECTION A, PARAGRAPH 14,
17 SUBDIVISION (c), LEVY A TRANSACTION PRIVILEGE TAX ON THE GROSS PROCEEDS OF
18 SALES OR GROSS INCOME DERIVED FROM THE SALE OF A MOTOR VEHICLE TO A
19 NONRESIDENT OF THIS STATE WHO HAS SECURED A SPECIAL TEN DAY NONRESIDENT
20 REGISTRATION PERMIT FOR THE MOTOR VEHICLE AS PRESCRIBED BY SECTIONS 28-2154
21 AND 28-2154.02.

22 D. For the purposes of this section:

23 1. "Food" has the same meaning prescribed by rule adopted by the
24 department pursuant to section 42-5106.

25 2. "Marketplace facilitator" has the same meaning prescribed in
26 section 42-5001.

27 3. "Poultry" includes ratites.

28 4. "Propagative materials":

29 (a) Includes seeds, seedlings, roots, bulbs, liners, transplants,
30 cuttings, soil and plant additives, agricultural minerals, auxiliary soil
31 and plant substances, micronutrients, fertilizers, insecticides,

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

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

6 5. "Remote seller" has the same meaning prescribed in section
7 42-5001.

8 Sec. 6. Applicability

9 This act applies to taxable periods beginning on or after the first
10 day of the month following the general effective date."

11 Amend title to conform

STEVE KAISER

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