

REFERENCE TITLE: motor vehicle manufacturers; TPT; exemption

State of Arizona
House of Representatives
Fifty-sixth Legislature
Second Regular Session
2024

HB 2648

Introduced by
Representative Martinez: Senator Shope

AN ACT

AMENDING SECTIONS 28-2003 AND 28-2154, ARIZONA REVISED STATUTES; AMENDING TITLE 28, CHAPTER 7, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 28-2154.02; REPEALING SECTION 28-2154.02, ARIZONA REVISED STATUTES; AMENDING SECTIONS 42-5061 AND 42-6017, ARIZONA REVISED STATUTES; RELATING TO TRANSACTION PRIVILEGE TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

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.

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

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

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

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

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

35 8. For the registration of a noncommercial trailer that is not a
36 travel trailer and that is ten thousand pounds or less gross vehicle
37 weight:

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

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

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

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

3 11. For each one trip registration permit issued under section
4 28-2155, ~~one dollar~~ \$1.

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

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

9 B. THROUGH DECEMBER 31, 2027, THE DEPARTMENT MAY ESTABLISH BY RULE
10 A FEE FOR EACH SPECIAL THIRTY DAY NONRESIDENT REGISTRATION PERMIT ISSUED
11 UNDER SECTION 28-2154.

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

14 1. Mounted on wheels.

15 2. Designed to provide temporary living quarters for recreational,
16 camping or travel use.

17 3. Less than eight feet in width and less than forty feet in
18 length.

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

21 28-2154. Special registrations; applicability

22 A. A nonresident who purchases an unregistered vehicle in this
23 state for removal to the state of residence of the purchaser shall obtain
24 EITHER a special ninety day nonresident registration permit OR A SPECIAL
25 THIRTY DAY NONRESIDENT REGISTRATION PERMIT for the vehicle. The
26 nonresident shall obtain the special ninety day nonresident registration
27 permit by applying to the department, to an authorized third party or to a
28 motor vehicle dealer as defined in section 28-4301 OR THE SPECIAL THIRTY
29 DAY NONRESIDENT REGISTRATION PERMIT BY APPLYING TO THE MOTOR VEHICLE
30 DEALER and by paying the fees prescribed by section 28-2003. Unless the
31 nonresident purchaser has completed a form prescribed by section 42-5009,
32 subsection H, an affidavit in a form prescribed by the director shall
33 accompany the application and shall contain the following statements:

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

39 2. The vehicle is purchased to be registered out of state within
40 ninety days after the issuance of the special ninety day nonresident
41 registration permit OR WITHIN THIRTY DAYS AFTER THE ISSUANCE OF THE
42 SPECIAL THIRTY DAY NONRESIDENT REGISTRATION PERMIT.

43 3. The vehicle is not purchased for transfer to a resident of this
44 state.

45 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 THIRTY DAY NONRESIDENT REGISTRATION PERMIT**,
3 the purchaser shall submit for inspection proper evidence of ownership of
4 the vehicle to be registered. The special ninety day nonresident
5 registration permit is valid for not more than ninety days from the date
6 of issuance and **THE SPECIAL THIRTY DAY NONRESIDENT REGISTRATION PERMIT IS**
7 **VALID FOR NOT MORE THAN THIRTY DAYS FROM THE DATE OF ISSUANCE, AND BOTH**
8 shall be in the form prescribed by the director. A person who obtains a
9 special ninety day nonresident registration permit on a semitrailer that
10 has been manufactured in this state may use the semitrailer for commercial
11 purposes if the semitrailer is being used to transport goods from this
12 state, subject to 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
18 by applying to the department, to an authorized third party or to any
19 motor vehicle dealer as defined by section 28-4301 and by payment of the
20 fees 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
23 has established ownership of the vehicle to the satisfaction of the
24 department may receive a special ninety day resident registration by
25 applying and paying the fee prescribed by section 28-2003 to the
26 department. The basis of assessment for the full annual registration fee
27 and vehicle license tax relates back to the date of issuance of the first
28 special ninety day 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:

- 32 1. The person has applied for a bonded title and the title has not
33 been issued during the first ninety day registration.
- 34 2. The person is awaiting settlement of an estate.
- 35 3. The person is awaiting lien clearance.
- 36 4. The person is awaiting a hearing decision as a result of a title
37 complaint.
- 38 5. The person is awaiting the issuance of honorary consular
39 official special license plates.
- 40 6. The director determines other circumstances justify the
41 issuance.

42 F. At the discretion of the director, a resident may receive more
43 than two consecutive special ninety day resident registrations for a
44 vehicle in a twelve month period.

1 G. If there is a judgment against a resident of this state in
2 another state that requires suspension of the resident's vehicle
3 registration, in lieu of suspension of the resident's vehicle registration
4 the department may issue a special temporary registration for the
5 resident's vehicle that is valid for a period of not more than one hundred
6 eighty days.

7 H. PROVISIONS IN THIS SECTION FOR SPECIAL THIRTY DAY NONRESIDENT
8 REGISTRATION PERMITS APPLY THROUGH DECEMBER 31, 2027.

9 Sec. 3. Title 28, chapter 7, article 5, Arizona Revised Statutes,
10 is amended by adding section 28-2154.02, to read:

11 28-2154.02. Special thirty day nonresident registration
12 permit; procedures

13 A. A MOTOR VEHICLE DEALER MAY ISSUE A SPECIAL THIRTY DAY
14 NONRESIDENT REGISTRATION PERMIT PURSUANT TO SECTION 28-2154 AND SHALL SEND
15 AN ELECTRONIC RECORD OF THE PERMIT TO THE DEPARTMENT THROUGH AN AUTHORIZED
16 THIRD PARTY OR THROUGH THE DEPARTMENT'S AUTHORIZED THIRD-PARTY ELECTRONIC
17 SERVICE PROVIDER.

18 B. A MOTOR VEHICLE DEALER MAY:

19 1. ISSUE, ASSIGN OR DELIVER A SPECIAL THIRTY DAY NONRESIDENT
20 REGISTRATION PERMIT TO A PERSON WHO DOES ALL OF THE FOLLOWING:

21 (a) OBTAINS THE SPECIAL THIRTY DAY NONRESIDENT REGISTRATION PERMIT
22 PURSUANT TO SECTION 28-2154.

23 (b) COMPLETES AN AFFIDAVIT IN A FORM PRESCRIBED BY THE DIRECTOR
24 PURSUANT TO SECTION 28-2154 OR COMPLETES A FORM PRESCRIBED BY SECTION
25 42-5009, SUBSECTION H.

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

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

32 2. ISSUE NOT MORE THAN TWO HUNDRED FIFTY SPECIAL THIRTY DAY
33 NONRESIDENT REGISTRATION PERMITS EACH YEAR.

34 3. ISSUE AND AFFIX, AS PRESCRIBED IN SUBSECTION C OF THIS SECTION,
35 A SPECIAL THIRTY DAY NONRESIDENT REGISTRATION PERMIT ONLY IF THE PERMIT IS
36 RECORDED IN THE ELECTRONIC RECORDS OF THE DEPARTMENT.

37 C. A MOTOR VEHICLE DEALER THAT ISSUES A SPECIAL THIRTY DAY
38 NONRESIDENT REGISTRATION PERMIT SHALL AFFIX OR INSERT, CLEARLY AND
39 INDELIBLY, ON THE FACE OF EACH PERMIT THE DATES OF ISSUANCE AND EXPIRATION
40 AND THE MAKE AND VEHICLE IDENTIFICATION NUMBER OF THE VEHICLE. THE
41 SPECIAL THIRTY DAY NONRESIDENT REGISTRATION PERMIT MAY NOT BEAR THE NAME
42 OR ADDRESS OF THE PERSON WHO PURCHASED THE VEHICLE IN A POSITION THAT IS
43 LEGIBLE FROM OUTSIDE OF THE VEHICLE.

1 D. A MOTOR VEHICLE DEALER THAT ISSUES A SPECIAL THIRTY DAY
2 NONRESIDENT REGISTRATION PERMIT SHALL MAINTAIN A RECORD, IN A FORM
3 PRESCRIBED BY THE DIRECTOR, OF ALL SPECIAL THIRTY DAY NONRESIDENT
4 REGISTRATION PERMITS ISSUED BY THE MOTOR VEHICLE DEALER AND A RECORD OF
5 OTHER INFORMATION PERTAINING TO THE ISSUANCE OF SPECIAL THIRTY DAY
6 NONRESIDENT REGISTRATION PERMITS THAT THE DEPARTMENT OF TRANSPORTATION OR
7 THE DEPARTMENT OF REVENUE REQUIRES.

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

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

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

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

30 I. THE DEPARTMENT OF TRANSPORTATION AND THE DEPARTMENT OF REVENUE
31 SHALL JOINTLY DEVELOP AND PRESCRIBE FORMS FOR THE MOTOR VEHICLE DEALER AND
32 THE PURCHASER TO COMPLETE FOR THE PROPER ADMINISTRATION AND ENFORCEMENT OF
33 THIS SECTION.

34 J. COMPLIANCE WITH THIS SECTION AND SECTION 28-2154 ALLOWS DELIVERY
35 OF THE MOTOR VEHICLE TO A NONRESIDENT PURCHASER IN THIS STATE AND EXEMPTS
36 THE GROSS PROCEEDS OF THE SALE OR GROSS INCOME FROM THE SALE OF THE MOTOR
37 VEHICLE TO THE NONRESIDENT PURCHASER IN THIS STATE WHO SECURED THE SPECIAL
38 THIRTY DAY NONRESIDENT REGISTRATION PERMIT FROM THE STATE TRANSACTION
39 PRIVILEGE TAX AND APPLICABLE COUNTY EXCISE TAXES PURSUANT TO SECTION
40 42-5061, SUBSECTION A, PARAGRAPH 14, SUBDIVISION (c).

41 Sec. 4. Repeal

42 Section 28-2154.02, Arizona Revised Statutes, as added by this act,
43 is repealed from and after December 31, 2027.

1 Sec. 5. 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
5 selling 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
18 organization organized and operated exclusively for charitable purposes
19 and recognized by the United States internal revenue service under section
20 501(c)(3) of 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
25 business 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.

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

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

35 11. Prescription eyeglasses or contact lenses.

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

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

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

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

5 (b) The vehicle, trailer or semitrailer has a gross vehicle weight
6 rating of more than ten thousand pounds, is used or maintained to
7 transport property in the furtherance of interstate commerce and otherwise
8 meets the definition of commercial motor vehicle as defined in section
9 28-5201.

10 (c) THROUGH DECEMBER 31, 2027, THE MOTOR VEHICLE DEALER SELLS THE
11 MOTOR VEHICLE TO A NONRESIDENT WHO HAS SECURED A SPECIAL THIRTY DAY
12 NONRESIDENT REGISTRATION PERMIT FOR THE MOTOR VEHICLE AS PRESCRIBED BY
13 SECTIONS 28-2154 AND 28-2154.02.

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

16 16. Items purchased with United States department of agriculture
17 coupons issued under the supplemental nutrition assistance program
18 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;
19 7 United States Code sections 2011 through 2036b) by the United States
20 department of agriculture food and nutrition service or food instruments
21 issued under section 17 of the child nutrition act (P.L. 95-627;
22 92 Stat. 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States
23 Code section 1786).

24 17. Textbooks by any bookstore that are required by any state
25 university or community college.

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

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

35 20. Lottery tickets or shares pursuant to title 5, chapter 5.1,
36 article 1.

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

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

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

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

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

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

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

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

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

36 25. Tangible personal property sold to:

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

38 (b) A qualifying health care organization as defined in section
39 42-5001 if the tangible personal property is used by the organization
40 solely to provide health and medical related educational and charitable
41 services.

42 (c) A qualifying health care organization as defined in section
43 42-5001 if the organization is dedicated to providing educational,
44 therapeutic, rehabilitative and family medical education training for

1 blind and visually impaired children and children with multiple
2 disabilities from the time of birth to age twenty-one.

3 (d) A qualifying community health center as defined in section
4 42-5001.

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

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

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

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

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

24 27. Tangible personal property sold to:

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

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

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

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

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

42 28. The sale of a motor vehicle to a nonresident of this state if
43 the purchaser's state of residence does not allow a corresponding use tax
44 exemption to the tax imposed by article 1 of this chapter and if the

1 nonresident has secured a special ninety day nonresident registration
2 permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01.

3 29. Tangible personal property purchased in this state by a
4 nonprofit charitable organization that has qualified under section
5 501(c)(3) of the United States internal revenue code and that engages in
6 and uses such property exclusively in programs for persons with mental or
7 physical disabilities if the programs are exclusively for training, job
8 placement, rehabilitation or testing.

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

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

27 32. Sales of tangible personal property by a nonprofit organization
28 that is exempt from taxation under section 501(c)(3), 501(c)(4),
29 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code if the
30 organization sponsors or operates a rodeo featuring primarily farm and
31 ranch animals and no part of the organization's net earnings inures to the
32 benefit of any private shareholder or individual.

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

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

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

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

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

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

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

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

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

41 (a) "Personal property liquidation transaction" means a sale of
42 personal property made by a personal property liquidator acting solely on
43 behalf of the owner of the personal property sold at the dwelling of the
44 owner or on the death of any owner, on behalf of the surviving spouse, if

1 any, any devisee or heir or the personal representative of the estate of
2 the deceased, if one has been appointed.

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

5 40. Sales of food, drink and condiment for consumption within the
6 premises of any prison, jail or other institution under the jurisdiction
7 of the state department of corrections, the department of public safety,
8 the department of juvenile corrections or a county sheriff.

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

14 42. Sales of:

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

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

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

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

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

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

43 47. Sales of materials that are purchased by or for publicly funded
44 libraries, including school district libraries, charter school libraries,

1 community college libraries, state university libraries or federal, state,
2 county or municipal libraries, for use by the public as follows:

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

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

5 48. Tangible personal property sold to a commercial airline and
6 consisting of food, beverages and condiments and accessories used for
7 serving the food and beverages, if those items are to be provided without
8 additional charge to passengers for consumption in flight. For the
9 purposes of this paragraph, "commercial airline" means a person holding a
10 federal certificate of public convenience and necessity or foreign air
11 carrier permit for air transportation to transport persons, property or
12 United States mail in intrastate, interstate or foreign commerce.

13 49. Sales of alternative fuel vehicles if the vehicle was
14 manufactured as a diesel fuel vehicle and converted to operate on
15 alternative fuel and equipment that is installed in a conventional diesel
16 fuel motor vehicle to convert the vehicle to operate on an alternative
17 fuel, as defined in section 1-215.

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

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

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

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

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

35 (b) "Curriculum design or enhancement" means planning, implementing
36 or reporting on courses of study, lessons, assignments or other learning
37 activities.

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

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

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

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

12 58. Sales of tangible personal property incorporated or fabricated
13 into a project described in section 42-5075, subsection 0, 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 the Indian tribe.

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

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

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

41 1. Machinery, or equipment, used directly in manufacturing,
42 processing, fabricating, job printing, refining or metallurgical
43 operations. The terms "manufacturing", "processing", "fabricating", "job
44 printing", "refining" and "metallurgical" as used in this paragraph refer
45 to and include those operations commonly understood within their ordinary

1 meaning. "Metallurgical operations" includes leaching, milling,
2 precipitating, smelting and refining.

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

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

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

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

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

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

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

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

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

43 8. Aircraft, navigational and communication instruments and other
44 accessories and related equipment sold to:

1 (a) A person:

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

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

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

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

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

29 (b) Any foreign government.

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

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

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

43 11. Machinery or equipment used directly to drill for oil or gas or
44 used directly in the process of extracting oil or gas from the earth for
45 commercial purposes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 pollution. For the purposes of this paragraph, "containment structure"
2 means a structure that prevents, monitors, controls or reduces noxious or
3 harmful discharge into the environment.

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

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

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

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

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

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

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

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

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

- 1 2. Janitorial equipment and hand tools.
- 2 3. Office equipment, furniture and supplies.
- 3 4. Tangible personal property used in selling or distributing
- 4 activities, other than the telecommunications transmissions described in
- 5 subsection B, paragraph 16 of this section.
- 6 5. Motor vehicles required to be licensed by this state, except
- 7 buses or other urban mass transit vehicles specifically exempted pursuant
- 8 to subsection B, paragraph 12 of this section, without regard to the use
- 9 of such motor vehicles.
- 10 6. Shops, buildings, docks, depots and all other materials of
- 11 whatever kind or character not specifically included as exempt.
- 12 7. Motors and pumps used in drip irrigation systems.
- 13 8. Machinery and equipment or other tangible personal property used
- 14 by a contractor in performing a contract.
- 15 D. In addition to the deductions from the tax base prescribed by
- 16 subsection A of this section, there shall be deducted from the tax base
- 17 the gross proceeds of sales or gross income derived from sales of
- 18 machinery, equipment, materials and other tangible personal property used
- 19 directly and predominantly to construct a qualified environmental
- 20 technology manufacturing, producing or processing facility as described in
- 21 section 41-1514.02. This subsection applies for ten full consecutive
- 22 calendar or fiscal years after the start of initial construction.
- 23 E. In computing the tax base, gross proceeds of sales or gross
- 24 income from retail sales of heavy trucks and trailers does not include any
- 25 amount attributable to federal excise taxes imposed by 26 United States
- 26 Code section 4051.
- 27 F. If a person is engaged in an occupation or business to which
- 28 subsection A of this section applies, the person's books shall be kept so
- 29 as to show separately the gross proceeds of sales of tangible personal
- 30 property and the gross income from sales of services, and if not so kept
- 31 the tax shall be imposed on the total of the person's gross proceeds of
- 32 sales of tangible personal property and gross income from services.
- 33 G. If a person is engaged in the business of selling tangible
- 34 personal property at both wholesale and retail, the tax under this section
- 35 applies only to the gross proceeds of the sales made other than at
- 36 wholesale if the person's books are kept so as to show separately the
- 37 gross proceeds of sales of each class, and if the books are not so kept,
- 38 the tax under this section applies to the gross proceeds of every sale so
- 39 made.
- 40 H. A person who engages in manufacturing, baling, crating, boxing,
- 41 barreling, canning, bottling, sacking, preserving, processing or otherwise
- 42 preparing for sale or commercial use any livestock, agricultural or
- 43 horticultural product or any other product, article, substance or
- 44 commodity and who sells the product of such business at retail in this

1 state is deemed, as to such sales, to be engaged in business classified
2 under the retail classification. This subsection does not apply to:
3 1. Agricultural producers who are owners, proprietors or tenants of
4 agricultural lands, orchards, farms or gardens where agricultural products
5 are grown, raised or prepared for market and who are marketing their own
6 agricultural products.
7 2. Businesses classified under the:
8 (a) Transporting classification.
9 (b) Utilities classification.
10 (c) Telecommunications classification.
11 (d) Pipeline classification.
12 (e) Private car line classification.
13 (f) Publication classification.
14 (g) Job printing classification.
15 (h) Prime contracting classification.
16 (i) Restaurant classification.
17 I. The gross proceeds of sales or gross income derived from the
18 following shall be deducted from the tax base for the retail
19 classification:
20 1. Sales made directly to the United States government or its
21 departments or agencies by a manufacturer, modifier, assembler or
22 repairer.
23 2. Sales made directly to a manufacturer, modifier, assembler or
24 repairer if such sales are of any ingredient or component part of products
25 sold directly to the United States government or its departments or
26 agencies by the manufacturer, modifier, assembler or repairer.
27 3. Overhead materials or other tangible personal property that is
28 used in performing a contract between the United States government and a
29 manufacturer, modifier, assembler or repairer, including property used in
30 performing a subcontract with a government contractor who is a
31 manufacturer, modifier, assembler or repairer, to which title passes to
32 the government under the terms of the contract or subcontract.
33 4. Sales of overhead materials or other tangible personal property
34 to a manufacturer, modifier, assembler or repairer if the gross proceeds
35 of sales or gross income derived from the property by the manufacturer,
36 modifier, assembler or repairer will be exempt under paragraph 3 of this
37 subsection.
38 J. There shall be deducted from the tax base fifty percent of the
39 gross proceeds or gross income from any sale of tangible personal property
40 made directly to the United States government or its departments or
41 agencies that is not deducted under subsection I of this section.
42 K. The department shall require every person claiming a deduction
43 provided by subsection I or J of this section to file on forms prescribed
44 by the department at such times as the department directs a sworn

1 statement disclosing the name of the purchaser and the exact amount of
2 sales on which the exclusion or deduction is claimed.

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

5 1. A manufacturer's cash rebate on the sales price of a motor
6 vehicle if the buyer assigns the buyer's right in the rebate to the
7 retailer.

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

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

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

21 O. For the purposes of this section, a sale of wireless
22 telecommunications equipment to a person who holds the equipment for sale
23 or transfer to a customer as an inducement to enter into or continue a
24 contract for telecommunications services that are taxable under section
25 42-5064 is considered to be a sale for resale in the regular course of
26 business.

27 P. Retail sales of prepaid calling cards or prepaid authorization
28 numbers for telecommunications services, including sales of
29 reauthorization of a prepaid card or authorization number, are subject to
30 tax under this section.

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

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

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

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

43 1. The transfer of title or possession of the coal is for the
44 purpose of refining the coal.

1 2. The title or possession of the coal is transferred back to the
2 owner or operator of the power plant after completion of the coal refining
3 process. For the purposes of this paragraph, "coal refining process"
4 means the application of a coal additive system that aids in the reduction
5 of power plant emissions during the combustion of coal and the treatment
6 of flue gas.

7 S. If a seller is entitled to a deduction pursuant to subsection B,
8 paragraph 16, subdivision (b) of this section, the department may require
9 the purchaser to establish that the requirements of subsection B,
10 paragraph 16, subdivision (b) of this section have been satisfied. If the
11 purchaser cannot establish that the requirements of subsection B,
12 paragraph 16, subdivision (b) of this section have been satisfied, the
13 purchaser is liable in an amount equal to any tax, penalty and interest
14 that the seller would have been required to pay under article 1 of this
15 chapter if the seller had not made a deduction pursuant to subsection B,
16 paragraph 16, subdivision (b) of this section. Payment of the amount
17 under this subsection exempts the purchaser from liability for any tax
18 imposed under article 4 of this chapter and related to the tangible
19 personal property purchased. The amount shall be treated as transaction
20 privilege tax to the purchaser and as tax revenues collected from the
21 seller to designate the distribution base pursuant to section 42-5029.

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

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

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

31 U. In computing the tax base for the sale of a motor vehicle to a
32 nonresident of this state, if the purchaser's state of residence allows a
33 corresponding use tax exemption to the tax imposed by article 1 of this
34 chapter and the rate of the tax in the purchaser's state of residence is
35 lower than the rate prescribed in article 1 of this chapter or if the
36 purchaser's state of residence does not impose an excise tax, and the
37 nonresident has secured a special ninety day nonresident registration
38 permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01,
39 there shall be deducted from the tax base a portion of the gross proceeds
40 or gross income from the sale so that the amount of transaction privilege
41 tax that is paid in this state is equal to the excise tax that is imposed
42 by the purchaser's state of residence on the nonexempt sale or use of the
43 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,
23 wares or articles of manufacture so as to produce a change in form or
24 substance 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
27 use from raw or prepared materials, imparting to those materials new
28 forms, 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
33 included in the retail classification, and that are used or consumed in
34 performing a contract, the cost of which is charged to an overhead expense
35 account and allocated to various contracts based on generally accepted
36 accounting principles and consistent with government contract accounting
37 standards.

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

40 6. "Subcontract" means an agreement between a contractor and any
41 person who is not an employee of the contractor for furnishing supplies or
42 services that, in whole or in part, are necessary to perform one or more
43 government contracts, or under which any portion of the contractor's
44 obligation under one or more government contracts is performed, undertaken
45 or assumed and that includes provisions causing title to overhead

1 materials or other tangible personal property used in performing the
2 subcontract to pass to the government or that includes provisions
3 incorporating such title passing clauses in a government contract into the
4 subcontract.

5 Sec. 6. Section 42-6017, Arizona Revised Statutes, is amended to
6 read:

7 42-6017. Municipal taxation of businesses selling tangible
8 personal property at retail; state preemption;
9 exceptions; definitions

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

14 B. The municipal tax rate for businesses selling tangible personal
15 property at retail for marketplace facilitators is the municipal tax rate
16 that is in effect in the city or town for businesses selling tangible
17 personal property at retail on September 30, 2019, until the city or town
18 changes the tax rate.

19 C. A city or town may:

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

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

29 3. Notwithstanding section 42-5061, subsection A, paragraph 33,
30 paragraph 42, subdivision (b) and paragraph 43 and subsection B, paragraph
31 5, continue to levy an existing transaction privilege tax that was levied
32 on or before May 1, 2019 on the gross proceeds of sales or gross income
33 derived from the sales of:

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

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

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

43 (b) Livestock and poultry feed, salts, vitamins and other additives
44 for livestock or poultry consumption that are sold to persons for use or
45 consumption by their own livestock or poultry, for use or consumption in

1 the businesses of farming, ranching and producing or feeding livestock,
2 poultry, or livestock or poultry products or for use or consumption in
3 noncommercial boarding of livestock.

4 (c) Implants used as growth promotants and injectable medicines,
5 not already exempt under section 42-5061, subsection A, paragraph 8, for
6 livestock or poultry owned by or in possession of persons who are engaged
7 in producing livestock, poultry, or livestock or poultry products or who
8 are engaged in feeding livestock or poultry commercially. This subdivision
9 does not apply and a city or town may not continue to levy a transaction
10 privilege tax pursuant to this subdivision as follows:

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

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

15 (d) Neat animals, horses, asses, sheep, ratites, swine or goats
16 used or to be used as breeding or production stock, including sales of
17 breedings or ownership shares in such animals used for breeding or
18 production. This subdivision does not apply and a city or town may not
19 continue to levy a transaction privilege tax pursuant to this subdivision
20 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 4. Levy a transaction privilege tax on the gross proceeds of sales
26 or gross income derived from the sale of nonmetalliferous mined materials
27 at retail.

28 5. Notwithstanding section 42-5061, subsection A, paragraph 59,
29 levy a transaction privilege tax on the gross proceeds of sales or gross
30 income derived from the sale of works of fine art, as defined in section
31 44-1771, at an art auction or gallery in this state to nonresidents of
32 this state for use outside this state if the vendor ships or delivers the
33 work of fine art to a destination outside this state.

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

37 (a) A nonresident of this state if the purchaser's state of
38 residence does not allow a corresponding use tax exemption to the tax
39 imposed by chapter 5, article 1 of this title and if the nonresident has
40 secured a special ninety day nonresident registration permit for the
41 vehicle as prescribed by sections 28-2154 and 28-2154.01. This
42 subdivision does not apply if the purchaser takes possession of the
43 vehicle outside of this state.

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

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

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

17 D. For the purposes of this section:

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

20 2. "Marketplace facilitator" has the same meaning prescribed in
21 section 42-5001.

22 3. "Poultry" includes ratites.

23 4. "Propagative materials":

24 (a) Includes seeds, seedlings, roots, bulbs, liners, transplants,
25 cuttings, soil and plant additives, agricultural minerals, auxiliary soil
26 and plant substances, micronutrients, fertilizers, insecticides,
27 herbicides, fungicides, soil fumigants, desiccants, rodenticides,
28 adjuvants, plant nutrients and plant growth regulators.

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

33 5. "Remote seller" has the same meaning prescribed in section
34 42-5001.

35 Sec. 7. Department of transportation; nonresident permits;
36 reporting; delayed repeal

37 A. In years 2025, 2026 and 2027, on or before December 31, the
38 department of transportation shall submit a report to the governor, the
39 president of the senate and the speaker of the house of representatives
40 and shall provide a copy of this report to the secretary of state that
41 contains the following information:

42 1. The total number of motor vehicles sold in this state to
43 nonresidents each year and the sales price of each of those motor
44 vehicles.

1 2. The total number of special thirty day nonresident registration
2 permits issued pursuant to section 28-2154.02, Arizona Revised Statutes,
3 as added by this act.

4 3. The total number of special ninety day nonresident registration
5 permits issued pursuant to section 28-2154.01, Arizona Revised Statutes.

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

7 Sec. 8. Applicability

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