

PROPOSED
SENATE AMENDMENTS TO H.B. 2704
(Reference to House engrossed bill)

Amendment instruction key:
[GREEN UNDERLINING IN BRACKETS] indicates text added to statute or previously enacted session law.
[Green underlining in brackets] indicates text added to new session law or text restoring existing law.
[GREEN STRIKEOUT IN BRACKETS] indicates new text removed from statute or previously enacted session law.
[Green strikethrough in brackets] indicates text removed from existing statute, previously enacted session law or new session law.
<<Green carets>> indicate a section added to the bill.
<<Green strikethrough in carets>> indicates a section removed from the bill.

1 The bill as proposed to be amended is reprinted as follows:

2 Section 1. Section 28-2154.01, Arizona Revised Statutes, is amended
3 to read:

4 28-2154.01. Special ninety day nonresident registration
5 permits; procedures

6 A. A dealer or an authorized third party that issues a special
7 ninety day nonresident registration permit pursuant to section 28-2154
8 shall send an electronic record of the permit to the department through an
9 authorized third party or through the department's authorized third-party
10 electronic service provider.

11 B. The department, an authorized third party or a dealer shall not:
12 1. Issue, assign or deliver a special ninety day nonresident
13 registration permit to any person unless the person does all of the
14 following:

15 (a) Obtains the special ninety day nonresident registration permit
16 pursuant to section 28-2154.

17 (b) Completes an affidavit in a form prescribed by the director
18 pursuant to section 28-2154 or completes a form prescribed by section
19 42-5009, subsection H.

20 (c) Presents to the department, authorized third party or motor
21 vehicle dealer a current valid driver license issued by another state
22 indicating an address outside of this state.

23 (d) Provides any other information reasonably and uniformly
24 required by the department of transportation pursuant to section 28-2154
25 or the department of revenue pursuant to section 42-5009, subsection H.

26 2. Issue and affix, as prescribed in subsection C of this section,
27 a special ninety day nonresident registration permit unless the permit is
28 recorded in the electronic records of the department.

1 C. A person who issues a special ninety day nonresident
2 registration permit shall affix or insert, clearly and indelibly, on the
3 face of each permit the dates of issuance and expiration and the make and
4 vehicle identification number of the vehicle. The special ninety day
5 nonresident registration permit shall not bear the name or address of the
6 person who purchased the vehicle in a position that is legible from
7 outside of the vehicle.

8 D. A dealer or authorized third party who issues a special ninety
9 day nonresident registration permit shall maintain a record, in a form
10 prescribed by the director, of all special ninety day nonresident
11 registration permits issued by the dealer or authorized third party and a
12 record of other information pertaining to the issuance of special ninety
13 day nonresident registration permits that the department of transportation
14 or the department of revenue requires.

15 E. The dealer or authorized third party shall keep each record for
16 at least three years after the date of entry of the record.

17 F. A dealer or authorized third party shall allow the director of
18 the department of transportation or the director of the department of
19 revenue full and free access to the records during regular business hours.

20 G. The electronic record is written notice of the removal of the
21 vehicle from this state for use in the purchaser's state of residence and
22 relieves the dealer or authorized third party of liability in accordance
23 with the requirements of section 42-5009.

24 H. If a purchaser registers the vehicle in this state within three
25 hundred sixty-five days after the issuance of the special ninety day
26 nonresident registration permit, the purchaser is liable in an amount
27 equal to any tax, penalty and interest that the motor vehicle dealer or
28 authorized third party would have been required to pay under title 42,
29 chapter 5 and under articles IV and VI of the model city tax code as
30 defined in section 42-6051. At the time of issuing the special ninety day
31 nonresident registration permit, a motor vehicle dealer or authorized
32 third party shall inform the purchaser in writing of the purchaser's
33 liability described in this section. Subsequent registration or use of
34 the vehicle in this state does not create a cause of action against a
35 dealer or authorized third party that complies with section 28-2154,
36 subsection A, this section and section 42-5009, subsection H.

37 I. The department of transportation and the department of revenue
38 shall jointly develop and prescribe forms for the motor vehicle dealer,
39 the authorized third party and the purchaser to complete for the proper
40 administration and enforcement of this section.

41 J. Compliance with this section and section 28-2154 allows delivery
42 of the vehicle to a nonresident purchaser in this state and retains the
43 applicable deductions pursuant to section 42-5061, subsection A, paragraph
44 28 and subsection ~~U~~ V.

1 Sec. 2. Section 42-1116, Arizona Revised Statutes, is amended to
2 read:

3 42-1116. Disposition of tax revenues

4 A. The department of revenue shall promptly deposit, pursuant to
5 sections 35-146 and 35-147, all monies it collects from the taxes
6 administered pursuant to this article except the telecommunication
7 services excise tax, separately accounting for each type of tax and each
8 tax classification within each type of tax. At the same time the
9 department of revenue shall also furnish copies of the transmittal
10 schedules to the director of the department of administration.

11 B. Except as provided by ~~subsection~~ SUBSECTIONS C AND D of this
12 section, the department shall deposit all monies and remittances received
13 under this section to the credit of the following specific funds and
14 accounts:

15 1. Amounts sufficient to meet the requirements for tax refunds to
16 the tax refund account established by section 42-1117.

17 2. Amounts sufficient to meet the requirements of urban revenue
18 sharing to the urban revenue sharing fund established by section 43-206.

19 3. Amounts collected pursuant to chapter 5, articles 1 and 5 of
20 this title to the transaction privilege and severance tax clearing account
21 established by section 42-5029.

22 4. Amounts sufficient to meet the requirements of section 42-3104
23 to the corrections fund.

24 5. Amounts sufficient to meet the requirements of section 49-282,
25 subsection B relating to the water quality assurance revolving fund.

26 6. All remaining monies to the state general fund.

27 C. From the monies and remittances received under this section,
28 each month beginning July 2001 the state treasurer shall transmit to the
29 tourism and sports authority, established by title 5, chapter 8, for
30 deposit in its facility revenue clearing account established by section
31 5-834 one-twelfth of the amount reported by the department pursuant to
32 section 43-209.

33 D. FROM THE MONIES AND REMITTANCES RECEIVED UNDER THIS SECTION,
34 EACH YEAR BEGINNING JANUARY 1, 2026 THROUGH THE DATE OF THE NOTICE
35 PROVIDED PURSUANT TO SECTION 48-4238 OR DECEMBER 31, 2056, WHICHEVER IS
36 ~~[LATER]~~ [EARLIER], THE STATE TREASURER SHALL TRANSMIT TO THE COUNTY
37 STADIUM DISTRICT ESTABLISHED PURSUANT TO TITLE 48, CHAPTER 26 FOR DEPOSIT
38 IN THE COUNTY STADIUM DISTRICT FUND ESTABLISHED PURSUANT TO SECTION
39 48-4231 THE AMOUNT REPORTED BY THE DEPARTMENT PURSUANT TO SECTION 43-209,
40 SUBSECTION D FOR THE PRIOR TAXABLE YEAR.

41 Sec. 3. Section 42-5008.01, Arizona Revised Statutes, is amended to
42 read:

43 42-5008.01. Liability for amounts equal to retail transaction
44 privilege tax due

45 A. A person that is either a prime contractor subject to tax under
46 section 42-5075 or a subcontractor working under the control of such a

1 prime contractor, that purchases tangible personal property, the purchase
2 price of which was excluded from the tax base under the retail
3 classification under section 42-5061, subsection A, paragraph 27 or was
4 excluded from the use tax under section 42-5159, subsection A, paragraph
5 13, subdivision (g) at the time of purchase, and that incorporates or
6 fabricates the tangible personal property into a project described in
7 section 42-5075, subsection ~~⊖~~ P is liable for an amount equal to any tax
8 that a seller would have been required to pay under section 42-5061 and
9 this article as follows:

10 1. The amount of liability shall be calculated and reported based
11 on the location of the project and the taxes imposed under this chapter
12 and chapter 6 of this title.

13 2. All deductions, exemptions and exclusions for the cost of
14 tangible personal property provided in section 42-5075 apply to the
15 tangible personal property incorporated or fabricated into the project.

16 3. This subsection does not apply to tangible personal property
17 that is incorporated or fabricated into any project under a contract that
18 would otherwise be excluded from the tax base under section 42-5075,
19 without regard to section 42-5075, subsection ~~⊖~~ P.

20 4. The amount of liability shall be reported within the reporting
21 period that includes the month in which the person incorporates or
22 fabricates the tangible personal property into the project.

23 5. The person is not liable for the amount if the contractor who
24 hired the person executes and provides to the person a certificate stating
25 that the contractor providing the certificate is liable for any amount due
26 under this subsection. The department shall prescribe the form of the
27 certificate. If the person has reason to believe that the information
28 contained on the certificate is erroneous or incomplete, the department
29 may disregard the certificate. The contractor providing the certificate
30 is liable for the amount that otherwise would be due from the person under
31 this subsection.

32 B. A person that purchased tangible personal property, the purchase
33 price of which was excluded from the tax base under section 42-5061,
34 subsection A, paragraph 27 or was excluded from the use tax under section
35 42-5159, subsection A, paragraph 13, subdivision (g) at the time of
36 purchase, that subsequently cancels its transaction privilege tax license
37 and that uses, consumes, sells or discards the tangible personal property
38 is liable for an amount of tax determined under this subsection. For the
39 purposes of this subsection:

40 1. If the tangible personal property is incorporated or fabricated
41 into a project described in section 42-5075, subsection ~~⊖~~ P, or otherwise
42 used or consumed by the person, the amount of liability shall be
43 calculated and reported based on the person's purchase price of the
44 tangible personal property, the location of the project, use or
45 consumption and the taxes imposed under this chapter and chapter 6 of this
46 title.

1 2. If the tangible personal property is sold in a manner that is
2 not subject to tax under this chapter or is discarded, the amount shall be
3 calculated and reported based on the payment received by the person, the
4 location of the person's principal place of business in this state and the
5 taxes imposed under this chapter and chapter 6 of this title.

6 3. The person is not liable under this subsection for any amount if
7 the person discards the tangible personal property and does not receive
8 payment of any kind.

9 4. The amount of liability shall be reported on or before the
10 business day preceding the last business day of the month following the
11 month in which the person uses the tangible personal property in a manner
12 described in paragraph 1 or 2 of this subsection. No amount is due under
13 this subsection at any time that the person stores the tangible personal
14 property without using it in a manner described in paragraph 1 or 2 of
15 this subsection.

16 5. All deductions, exemptions and exclusions for the cost of
17 tangible personal property provided in section 42-5075 apply to the
18 tangible personal property incorporated or fabricated into a project
19 described in section 42-5075, subsection ~~⊖~~ P.

20 6. This subsection does not apply to tangible personal property
21 that is incorporated or fabricated into any project under a contract that
22 would otherwise be excluded from the tax base under section 42-5075,
23 without regard to section 42-5075, subsection ~~⊖~~ P.

24 7. The person is not liable for the amount if the contractor who
25 hired the person executes and provides to the person a certificate stating
26 that the contractor providing the certificate is liable for any amount due
27 under this subsection for tangible personal property incorporated or
28 fabricated into a project described in section 42-5075, subsection ~~⊖~~ P.
29 The department shall prescribe the form of the certificate. If the person
30 has reason to believe that the information contained on the certificate is
31 erroneous or incomplete, the department may disregard the certificate.
32 The contractor providing the certificate is liable for the amount that
33 otherwise would be due from the person under this subsection.

34 C. A person that fails to report or pay any amount due under
35 subsection A or B of this section is liable for interest in a manner
36 consistent with section 42-1123 and penalties in a manner consistent with
37 section 42-1125.

38 D. If a person has paid an amount described in this section on
39 tangible personal property that the person reasonably believed to be
40 described IN section 42-5075, subsection ~~⊖~~ P and a final determination is
41 made that section 42-5075, subsection ~~⊖~~ P does not apply, the person is
42 entitled to an offset for the amount paid under this section against the
43 amount of tax liability assessed under this chapter and chapter 6 of this
44 title.

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

3 42-5009. Certificates establishing deductions; liability for
4 making false certificate; tax exclusion;
5 definitions

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

9 1. Marking the invoice for the transaction to indicate that the
10 gross proceeds of sales or gross income derived from the transaction was
11 deducted from the tax base.

12 2. Obtaining a certificate executed by the purchaser indicating the
13 name and address of the purchaser, the precise nature of the business of
14 the purchaser, the purpose for which the purchase was made, the necessary
15 facts to establish the appropriate deduction and the tax license number of
16 the purchaser to the extent the deduction depends on the purchaser
17 conducting business classified under article 2 of this chapter and a
18 certification that the person executing the certificate is authorized to
19 do so on behalf of the purchaser. The certificate may be disregarded if
20 the seller has reason to believe that the information contained in the
21 certificate is not accurate or complete.

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

25 C. The department may prescribe a form for the certificate
26 described in subsection A of this section. Under such rules as it may
27 prescribe, the department may also describe transactions with respect to
28 which a person is not entitled to rely solely on the information contained
29 in the certificate provided for in subsection A of this section but must
30 instead obtain such additional information as required by the rules in
31 order to be entitled to the deduction.

32 D. If a seller is entitled to a deduction by complying with
33 subsection A of this section, the department may require the purchaser
34 that caused the execution of the certificate to establish the accuracy and
35 completeness of the information required to be contained in the
36 certificate that would entitle the seller to the deduction. If the
37 purchaser cannot establish the accuracy and completeness of the
38 information, the purchaser is liable in an amount equal to any tax,
39 penalty and interest that the seller would have been required to pay under
40 this article if the seller had not complied with subsection A of this
41 section. Payment of the amount under this subsection exempts the
42 purchaser from liability for any tax imposed under article 4 of this
43 chapter. The amount shall be treated as tax revenues collected from the
44 seller in order to designate the distribution base for purposes of section
45 42-5029.

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

13 F. The department may prescribe a form for a certificate used to
14 establish entitlement to the deductions described in section 42-5061,
15 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3.
16 Under rules the department may prescribe, the department may also require
17 additional information for the seller to be entitled to the deduction. If
18 a seller is entitled to the deductions described in section 42-5061,
19 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3,
20 the department may require the purchaser who executed the certificate to
21 establish the accuracy and completeness of the information contained in
22 the certificate that would entitle the seller to the deduction. If the
23 purchaser cannot establish the accuracy and completeness of the
24 information, the purchaser is liable in an amount equal to any tax,
25 penalty and interest that the seller would have been required to pay under
26 this article. Payment of the amount under this subsection exempts the
27 purchaser from liability for any tax imposed under article 4 of this
28 chapter. The amount shall be treated as tax revenues collected from the
29 seller in order to designate the distribution base for purposes of section
30 42-5029.

31 G. If a seller claims a deduction under section 42-5061,
32 subsection A, paragraph 25 and establishes entitlement to the deduction
33 with an exemption letter that the purchaser received from the department
34 and the exemption letter was based on a contingent event, the department
35 may require the purchaser that received the exemption letter to establish
36 the satisfaction of the contingent event within a reasonable time. If the
37 purchaser cannot establish the satisfaction of the event, the purchaser is
38 liable in an amount equal to any tax, penalty and interest that the seller
39 would have been required to pay under this article if the seller had not
40 been furnished the exemption letter. Payment of the amount under this
41 subsection exempts the purchaser from liability for any tax imposed under
42 article 4 of this chapter. The amount shall be treated as tax revenues
43 collected from the seller in order to designate the distribution base for
44 purposes of section 42-5029. For the purposes of this subsection,
45 "reasonable time" means a time limitation that the department determines
46 and that does not exceed the time limitations pursuant to section 42-1104.

1 H. The department shall prescribe forms for certificates used to
2 establish the satisfaction of the criteria necessary to qualify the sale
3 of a motor vehicle for the deductions described in section 42-5061,
4 subsection A, paragraph 14, paragraph 28 and paragraph 44 and
5 subsection ~~H~~ V. Except as provided in subsection J of this section, to
6 establish entitlement to these deductions, a motor vehicle dealer shall
7 retain:

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

11 2. For the purposes of the deductions provided by section 42-5061,
12 subsection A, paragraph 14, subdivision (b) and section 42-5061,
13 subsection ~~H~~ V, a copy of the nonresident registration permit authorized
14 by section 28-2154.

15 3. A legible copy of a current valid driver license issued to the
16 purchaser by another state or foreign country that indicates an address
17 outside of this state. For the sale of a motor vehicle to a nonresident
18 entity, the entity's representative must have a current valid driver
19 license issued by the same jurisdiction as that in which the entity is
20 located.

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

24 I. Notwithstanding subsection A, paragraph 2 of this section, if a
25 motor vehicle dealer has established entitlement to a deduction by
26 complying with subsection H of this section, the department may require
27 the purchaser who executed the certificate to establish the accuracy and
28 completeness of the information contained in the certificate that entitled
29 the motor vehicle dealer to the deduction. If the purchaser cannot
30 establish the accuracy and completeness of the information, the purchaser
31 is liable in an amount equal to any tax, penalty and interest that the
32 motor vehicle dealer would have been required to pay under this article
33 and under articles IV and V of the model city tax code as defined in
34 section 42-6051. Payment of the amount under this subsection exempts the
35 purchaser from liability for any tax imposed under article 4 of this
36 chapter and any tax imposed under article VI of the model city tax code as
37 defined in section 42-6051. The amount shall be treated as tax revenues
38 collected from the motor vehicle dealer in order to designate the
39 distribution base for purposes of section 42-5029.

40 J. To establish entitlement to the deduction described in section
41 42-5061, subsection A, paragraph 44, a public consignment auction dealer
42 as defined in section 28-4301 shall retain a copy of the certificate
43 prescribed by subsection H of this section for its records.

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

1 L. The department shall prescribe a form for a certificate to be
2 used by a person that is not subject to tax under section 42-5075 when the
3 person is engaged by a contractor that is subject to tax under section
4 42-5075 for a project that is taxable under section 42-5075. The
5 certificate permits the person purchasing tangible personal property to be
6 incorporated or fabricated by the person into any real property,
7 structure, project, development or improvement to provide documentation to
8 a retailer that the sale of tangible personal property qualifies for the
9 deduction under section 42-5061, subsection A, paragraph 27,
10 subdivision (b). A prime contractor shall obtain the certificate from the
11 department and shall provide a copy to any such person working on the
12 project. The prime contractor shall obtain a new certificate for each
13 project to which this subsection applies. For the purposes of this
14 subsection, the following apply:

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

19 2. The department shall issue the certificate to the prime
20 contractor on receiving sufficient documentation to establish that the
21 prime contractor meets the requirements of this subsection.

22 3. If any person uses the certificate provided under this
23 subsection to purchase tangible personal property to be used in a project
24 that is not subject to tax under section 42-5075, the person is liable in
25 an amount equal to any tax, penalty and interest that the seller would
26 have been required to pay under this article if the seller had not
27 complied with subsection A of this section. Payment of the amount under
28 this section exempts the person from liability for any tax imposed under
29 article 4 of this chapter. The amount shall be sourced under section
30 42-5040, subsection A, paragraph 2.

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

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

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

42 2. Persons who are engaged in the business of producing livestock
43 or poultry commercially.

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

1 O. A vendor who has reason to believe that a certificate prescribed
2 by this section is not accurate or complete will not be relieved of the
3 burden of proving entitlement to the exemption. A vendor that accepts a
4 certificate in good faith will be relieved of the burden of proof and the
5 purchaser may be required to establish the accuracy of the claimed
6 exemption. If the purchaser cannot establish the accuracy and
7 completeness of the information provided in the certificate, the purchaser
8 is liable for an amount equal to the transaction privilege tax, penalty
9 and interest that the vendor would have been required to pay if the vendor
10 had not accepted the certificate.

11 P. Notwithstanding any other law, an online lodging operator, as
12 defined in section 42-5076, shall be entitled to an exclusion from any
13 applicable taxes for any online lodging transaction, as defined in section
14 42-5076, facilitated by an online lodging marketplace, as defined in
15 section 42-5076, for which the online lodging operator has obtained from
16 the online lodging marketplace written notice that the online lodging
17 marketplace is registered with the department to collect applicable taxes
18 for all online lodging transactions facilitated by the online lodging
19 marketplace, and transaction history documenting tax collected by the
20 online lodging marketplace, pursuant to section 42-5005, subsection L.

21 Q. The department shall prescribe the form of a certificate to be
22 used by a person purchasing an aircraft to document eligibility for a
23 deduction pursuant to section 42-5061, subsection B, paragraph 8,
24 subdivision (a), item (v) or an exemption pursuant to section 42-5159,
25 subsection B, paragraph 8, subdivision (a), item (v), relating to
26 aircraft. The person must provide this certificate and documentation
27 confirming that the operational control of the aircraft has been
28 transferred or will be transferred immediately after the purchase to one
29 or more persons described in section 42-5061, subsection B, paragraph 8,
30 subdivision (a), item (i), (ii), (iii) or (iv) or section 42-5159,
31 subsection B, paragraph 8, subdivision (a), item (i), (ii), (iii) or (iv).
32 Operational control of the aircraft must be transferred for at least fifty
33 percent of the aircraft's flight hours. If such operational control is
34 not transferred for at least fifty percent of the aircraft's flight hours
35 during the recapture period, the owner of the aircraft is liable for an
36 amount equal to any tax that the seller or purchaser would have been
37 required to pay under this chapter at the time of the sale, plus penalty
38 and interest. The recapture period begins on the date that operational
39 control of the aircraft is first transferred and ends on the later of the
40 date the aircraft is fully depreciated for federal income tax purposes or
41 five years after operational control was first transferred. For the
42 purposes of this subsection, operational control of the aircraft must be
43 within the meaning of federal aviation administration operations
44 specification A008, or its successor, except that:

45 1. If it is determined that operational control has been
46 transferred for less than fifty percent but more than forty percent of the

1 aircraft's flight hours, the owner of the aircraft is liable for an amount
2 equal to any tax that the seller or purchaser would have been required to
3 pay under this chapter at the time of the sale, plus interest.

4 2. If the aircraft is sold during the recapture period, the seller
5 is not liable for the amount determined pursuant to this subsection unless
6 the operational control of the aircraft had not been transferred for at
7 least fifty percent of the aircraft's flight hours at the time of the
8 sale.

9 R. Notwithstanding any other law, a shared vehicle owner is
10 entitled to an exclusion from any applicable taxes for a shared vehicle
11 transaction that is facilitated by a peer-to-peer car sharing program and
12 for which the peer-to-peer car sharing program has collected and remitted
13 applicable taxes.

14 S. A qualifying community health center, qualifying health care
15 organization or qualifying hospital or any other entity that is recognized
16 as nonprofit under section 501(c) of the United States internal revenue
17 code and that is required to obtain an exemption letter from the
18 department shall:

19 1. Apply to the department for the exemption letter and fully
20 answer any eligibility questions required by the department for the
21 purposes of the exemption letter. If the department approves the
22 exemption letter application, the exemption letter is valid until the
23 entity is no longer qualified for the exemption letter.

24 2. Notify the department in writing if the entity no longer
25 qualifies for the exemption letter. Regardless of whether the entity
26 notifies the department as required by this paragraph, if the entity no
27 longer qualifies for the exemption letter, the entity is liable in an
28 amount equal to any tax, penalty and interest that the seller would have
29 been required to pay under this article if the seller had not been
30 furnished the exemption letter. Payment of the amount under this
31 paragraph exempts the entity from liability for any tax imposed under
32 article 4 of this chapter. The amount shall be treated as tax revenues
33 collected from the seller in order to designate the distribution base for
34 the purposes of section 42-5029.

35 T. For the purposes of this section, "peer-to-peer car sharing
36 program", "shared vehicle owner" and "shared vehicle transaction" have the
37 same meanings prescribed in section 28-9601.

38 Sec. 5. Section 42-5029, Arizona Revised Statutes, is amended to
39 read:

40 42-5029. Remission and distribution of monies; withholding;
41 definition

42 A. The department shall deposit, pursuant to sections 35-146 and
43 35-147, all revenues collected under this article and articles 4, 5 and 8
44 of this chapter pursuant to section 42-1116, separately accounting for:

- 45 1. Payments of estimated tax under section 42-5014, subsection D.
- 46 2. Revenues collected pursuant to section 42-5070.

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

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

6 5. Revenues collected pursuant to section 42-5010.01 and section
7 42-5155, subsection E.

8 6. Revenues collected pursuant to section 42-5061 from a remote
9 seller.

10 B. The department shall credit payments of estimated tax to an
11 estimated tax clearing account and each month shall transfer all monies in
12 the estimated tax clearing account to a fund designated as the transaction
13 privilege and severance tax clearing account. The department shall credit
14 all other payments to the transaction privilege and severance tax clearing
15 account, separately accounting for the monies designated as distribution
16 base under sections 42-5010, 42-5164 and 42-5205. Each month the
17 department shall report to the state treasurer the amount of monies
18 collected pursuant to this article and articles 4, 5 and 8 of this
19 chapter.

20 C. On notification by the department, the state treasurer shall
21 distribute the monies deposited in the transaction privilege and severance
22 tax clearing account in the manner prescribed by this section and by
23 sections 42-5164 and 42-5205, after deducting warrants drawn against the
24 account pursuant to sections 42-1118 and 42-1254.

25 D. Of the monies designated as distribution base, the department
26 shall:

27 1. Pay twenty-five percent to the various incorporated
28 municipalities in this state in proportion to their population to be used
29 by the municipalities for any municipal purpose, except a municipality
30 shall use monies paid from revenues separately accounted for pursuant to
31 subsection A, paragraph 6 of this section and paid pursuant to this
32 paragraph for public safety before any other municipal purpose.

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

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

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

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

45 (a) Average the following proportions:

1 (i) The proportion that the assessed valuation used to determine
2 secondary property taxes of each county, after deducting that part of the
3 assessed valuation that is exempt from taxation at the beginning of the
4 month for which the amount is to be paid, bears to the total assessed
5 valuations used to determine secondary property taxes of all the counties
6 after deducting that portion of the assessed valuations that is exempt
7 from taxation at the beginning of the month for which the amount is to be
8 paid. Property of a city or town that is not within or contiguous to the
9 municipal corporate boundaries and from which water is or may be withdrawn
10 or diverted and transported for use on other property is considered to be
11 taxable property in the county for purposes of determining assessed
12 valuation in the county under this item.

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

19 (b) If the proportion computed under subdivision (a) of this
20 paragraph for any county is greater than the proportion computed under
21 paragraph 2 of this subsection, the department shall compute the
22 difference between the amount distributed to that county under paragraph 2
23 of this subsection and the amount that would have been distributed under
24 paragraph 2 of this subsection using the proportion computed under
25 subdivision (a) of this paragraph and shall pay that difference to the
26 county from the amount available for distribution under this paragraph.
27 Any monies remaining after all payments under this subdivision shall be
28 distributed among the counties according to the proportions computed under
29 paragraph 2 of this subsection.

30 4. After any distributions required by sections 42-5030,
31 42-5030.01, 42-5031, 42-5032, 42-5032.01, ~~and~~ 42-5032.02 AND 42-5032.03
32 and after making any transfer to the water quality assurance revolving
33 fund as required by section 49-282, subsection B, credit the remainder of
34 the monies designated as distribution base to the state general
35 fund. From this amount the legislature shall annually appropriate to:

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

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

40 (c) The firearms safety and ranges fund established by section
41 17-273, \$50,000 derived from the taxes collected from the retail
42 classification pursuant to section 42-5061 for the current fiscal year.

43 E. If approved by the qualified electors voting at a statewide
44 general election, all monies collected pursuant to section 42-5010,
45 subsection G and section 42-5155, subsection D shall be distributed each
46 fiscal year pursuant to this subsection. The monies distributed pursuant

1 to this subsection are in addition to any other appropriation, transfer or
2 other allocation of public or private monies from any other source and
3 shall not supplant, replace or cause a reduction in other school district,
4 charter school, university or community college funding sources. The
5 monies shall be distributed as follows:

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

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

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

26 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of
27 this subsection, one-twelfth of the amount a community college that is
28 owned, operated or chartered by a qualifying Indian tribe on its own
29 Indian reservation would receive pursuant to section 15-1472, subsection
30 D, paragraph 2 if it were a community college district shall be
31 distributed each month to the treasurer or other designated depository of
32 a qualifying Indian tribe. Monies distributed pursuant to this paragraph
33 are for the exclusive purpose of providing support to one or more
34 community colleges owned, operated or chartered by a qualifying Indian
35 tribe and shall be used in a manner consistent with section 15-1472,
36 subsection B. For the purposes of this paragraph, "qualifying Indian
37 tribe" has the same meaning as defined in section 42-5031.01,
38 subsection D.

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

- 44 (a) In fiscal year 2001-2002, \$15,305,900.
- 45 (b) In fiscal year 2002-2003, \$31,530,100.
- 46 (c) In fiscal year 2003-2004, \$48,727,700.

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

2 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
3 \$86,280,500.

4 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of
5 this subsection, seven million eight hundred thousand dollars is
6 appropriated each fiscal year, to be paid in monthly installments, to the
7 department of education to be used for school safety as provided in
8 section 15-154 and two hundred thousand dollars is appropriated each
9 fiscal year, to be paid in monthly installments to the department of
10 education to be used for the character education matching grant program as
11 provided in section 15-154.01.

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

17 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of
18 this subsection, one million five hundred thousand dollars is appropriated
19 each fiscal year, to be paid in monthly installments, to the failing
20 schools tutoring fund established by section 15-241.

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

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

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

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

34 (c) Forty per cent shall be allocated for maintenance and operation
35 purposes.

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

39 G. Notwithstanding subsection D of this section, if a court of
40 competent jurisdiction finally determines that tax monies distributed
41 under this section were illegally collected under this article or articles
42 5 and 8 of this chapter and orders the monies to be refunded to the
43 taxpayer, the department shall compute the amount of such monies that was
44 distributed to each city, town and county under this section. Each
45 city's, town's and county's proportionate share of the costs shall be
46 based on the amount of the original tax payment each municipality and

1 county received. Each month the state treasurer shall reduce the amount
2 otherwise distributable to the city, town and county under this section by
3 1/36 of the total amount to be recovered from the city, town or county
4 until the total amount has been recovered, but the monthly reduction for
5 any city, town or county shall not exceed ten percent of the full monthly
6 distribution to that entity. The reduction shall begin for the first
7 calendar month after the final disposition of the case and shall continue
8 until the total amount, including interest and costs, has been recovered.

9 H. On receiving a certificate of default from the greater Arizona
10 development authority pursuant to section 41-2257 or 41-2258 and to the
11 extent not otherwise expressly prohibited by law, the state treasurer
12 shall withhold from the next succeeding distribution of monies pursuant to
13 this section due to the defaulting political subdivision the amount
14 specified in the certificate of default and immediately deposit the amount
15 withheld in the greater Arizona development authority revolving fund. The
16 state treasurer shall continue to withhold and deposit the monies until
17 the greater Arizona development authority certifies to the state treasurer
18 that the default has been cured. In no event may the state treasurer
19 withhold any amount that the defaulting political subdivision certifies to
20 the state treasurer and the authority as being necessary to make any
21 required deposits then due for the payment of principal and interest on
22 bonds of the political subdivision that were issued before the date of the
23 loan repayment agreement or bonds and that have been secured by a pledge
24 of distributions made pursuant to this section.

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

30 J. Except as otherwise provided by this subsection, on notice from
31 the department of revenue pursuant to section 42-6010, subsection B, the
32 state treasurer shall withhold from the distribution of monies pursuant to
33 this section to the affected city or town the amount of the penalty for
34 business location municipal tax incentives provided by the city or town to
35 a business entity that locates a retail business facility in the city or
36 town. The state treasurer shall continue to withhold monies pursuant to
37 this subsection until the entire amount of the penalty has been withheld.
38 The state treasurer shall credit any monies withheld pursuant to this
39 subsection to the state general fund as provided by subsection D,
40 paragraph 4 of this section. The state treasurer shall not withhold any
41 amount that the city or town certifies to the department of revenue and
42 the state treasurer as being necessary to make any required deposits or
43 payments for debt service on bonds or other long-term obligations of the
44 city or town that were issued or incurred before the location incentives
45 provided by the city or town.

1 K. On notice from the auditor general pursuant to section 9-626,
2 subsection D, the state treasurer shall withhold from the distribution of
3 monies pursuant to this section to the affected city the amount computed
4 pursuant to section 9-626, subsection D. The state treasurer shall
5 continue to withhold monies pursuant to this subsection until the entire
6 amount specified in the notice has been withheld. The state treasurer
7 shall credit any monies withheld pursuant to this subsection to the state
8 general fund as provided by subsection D, paragraph 4 of this section.

9 L. Except as otherwise provided by this subsection, on notice from
10 the attorney general pursuant to section 41-194.01, subsection B,
11 paragraph 1 that an ordinance, regulation, order or other official action
12 adopted or taken by the governing body of a county, city or town violates
13 state law or the Constitution of Arizona, the state treasurer shall
14 withhold the distribution of monies pursuant to this section to the
15 affected county, city or town and shall continue to withhold monies
16 pursuant to this subsection until the attorney general certifies to the
17 state treasurer that the violation has been resolved. The state treasurer
18 shall redistribute the monies withheld pursuant to this subsection among
19 all other counties, cities and towns in proportion to their population as
20 provided by subsection D of this section. The state treasurer shall not
21 withhold any amount that the county, city or town certifies to the
22 attorney general and the state treasurer as being necessary to make any
23 required deposits or payments for debt service on bonds or other long-term
24 obligations of the county, city or town that were issued or incurred
25 before committing the violation.

26 M. For the purposes of this section, "community college district"
27 means a community college district that is established pursuant to
28 sections 15-1402 and 15-1403 and that is a political subdivision of this
29 state and, unless otherwise specified, includes a community college
30 tuition financing district established pursuant to section 15-1409.

31 Sec. 6. Title 42, chapter 5, article 1, Arizona Revised Statutes,
32 is amended by adding section 42-5032.03, to read:

33 42-5032.03. Distribution of revenue for county stadium
34 district

35 A. BEGINNING THE FIRST DAY OF THE MONTH FOLLOWING THE EFFECTIVE
36 DATE OF THIS SECTION AND EACH MONTH THEREAFTER THROUGH THE MONTH OF THE
37 NOTICE PROVIDED PURSUANT TO SECTION 48-4238 OR DECEMBER 31, 2055,
38 WHICHEVER IS ~~LATER~~ EARLIER, THE STATE TREASURER SHALL TRANSMIT, FROM
39 THE AMOUNT DESIGNATED AS DISTRIBUTION BASE PURSUANT TO SECTION 42-5029,
40 SUBSECTION D, THE AMOUNT DETERMINED UNDER SUBSECTION B OF THIS SECTION TO
41 THE COUNTY STADIUM DISTRICT ESTABLISHED PURSUANT TO TITLE 48, CHAPTER 26
42 FOR DEPOSIT IN THE COUNTY STADIUM DISTRICT FUND ESTABLISHED PURSUANT TO
43 SECTION 48-4231.

1 B. THE AMOUNT TO BE TRANSMITTED UNDER SUBSECTION A OF THIS SECTION
2 IS THE TOTAL AMOUNT OF STATE TRANSACTION PRIVILEGE TAX REVENUES RECEIVED
3 FROM PERSONS CONDUCTING BUSINESS UNDER THE RETAIL, AMUSEMENT, RESTAURANT
4 AND PRIME CONTRACTING CLASSIFICATIONS AT, OR WITH RESPECT TO EVENTS HELD
5 AT, A MAJOR LEAGUE BASEBALL FACILITY OR AN ADJACENT BUILDING THAT IS OWNED
6 BY A COUNTY STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26 AND OPERATED
7 BY THE COUNTY STADIUM DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
8 ORGANIZATION THAT OCCUPIES THE FACILITY OR ADJACENT BUILDING.

9 Sec. 7. Section 42-5061, Arizona Revised Statutes, is amended to
10 read:

11 42-5061. Retail classification; definitions

12 A. The retail classification is comprised of the business of
13 selling tangible personal property at retail. The tax base for the retail
14 classification is the gross proceeds of sales or gross income derived from
15 the business. The tax imposed on the retail classification does not apply
16 to the gross proceeds of sales or gross income from:

17 1. Professional or personal service occupations or businesses that
18 involve sales or transfers of tangible personal property only as
19 inconsequential elements.

20 2. Services rendered in addition to selling tangible personal
21 property at retail.

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

25 4. Sales of tangible personal property by any nonprofit
26 organization organized and operated exclusively for charitable purposes
27 and recognized by the United States internal revenue service under section
28 501(c)(3) of the internal revenue code.

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

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

34 7. The sale of stocks and bonds.

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

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

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

43 11. Prescription eyeglasses or contact lenses.

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

45 13. Durable medical equipment that has a centers for medicare and
46 medicaid services common procedure code, is designated reimbursable by

1 medicare, is prescribed by a person who is licensed under title 32,
2 chapter 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is
3 primarily and customarily used to serve a medical purpose, is generally
4 not useful to a person in the absence of illness or injury and is
5 appropriate for use in the home.

6 14. Sales of motor vehicles to nonresidents of this state for use
7 outside this state if either of the following applies:

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

10 (b) The vehicle, trailer or semitrailer has a gross vehicle weight
11 rating of more than ten thousand pounds, is used or maintained to
12 transport property in the furtherance of interstate commerce and otherwise
13 meets the definition of commercial motor vehicle as defined in section
14 28-5201.

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

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

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

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

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

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

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

45 (a) "Cash equivalents" means items or intangibles, whether or not
46 negotiable, that are sold to one or more persons, through which a value

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

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

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

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

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

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

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

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

34 25. Tangible personal property sold to:

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

36 (b) A qualifying health care organization as defined in section
37 42-5001 if the tangible personal property is used by the organization
38 solely to provide health and medical related educational and charitable
39 services.

40 (c) A qualifying health care organization as defined in section
41 42-5001 if the organization is dedicated to providing educational,
42 therapeutic, rehabilitative and family medical education training for
43 blind and visually impaired children and children with multiple
44 disabilities from the time of birth to age twenty-one.

45 (d) A qualifying community health center as defined in section
46 42-5001.

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

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

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

14 (h) Any person representing or working on behalf of another person
15 described in subdivisions (a) through (g) of this paragraph if the
16 tangible personal property is incorporated or fabricated into a project
17 described in section 42-5075, subsection ~~P~~ P.

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

20 27. Tangible personal property sold to:

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

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

29 (ii) Incorporated or fabricated by the person into any project
30 described in section 42-5075, subsection ~~P~~ P.

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

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

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

43 29. Tangible personal property purchased in this state by a
44 nonprofit charitable organization that has qualified under section
45 501(c)(3) of the United States internal revenue code and that engages in
46 and uses such property exclusively in programs for persons with mental or

1 physical disabilities if the programs are exclusively for training, job
2 placement, rehabilitation or testing.

3 30. Sales of tangible personal property by a nonprofit organization
4 that is exempt from taxation under section 501(c)(3), 501(c)(4) or
5 501(c)(6) of the internal revenue code if the organization is associated
6 with a major league baseball team or a national touring professional
7 golfing association and no part of the organization's net earnings inures
8 to the benefit of any private shareholder or individual. This paragraph
9 does not apply to an organization that is owned, managed or controlled, in
10 whole or in part, by a major league baseball team, or its owners,
11 officers, employees or agents, or by a major league baseball association
12 or professional golfing association, or its owners, officers, employees or
13 agents, unless the organization conducted or operated exhibition events in
14 this state before January 1, 2018 that were exempt from taxation under
15 section 42-5073.

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

21 32. Sales of tangible personal property by a nonprofit organization
22 that is exempt from taxation under section 501(c)(3), 501(c)(4),
23 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code if the
24 organization sponsors or operates a rodeo featuring primarily farm and
25 ranch animals and no part of the organization's net earnings inures to the
26 benefit of any private shareholder or individual.

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

31 (a) Includes seeds, seedlings, roots, bulbs, liners, transplants,
32 cuttings, soil and plant additives, agricultural minerals, auxiliary soil
33 and plant substances, micronutrients, fertilizers, insecticides,
34 herbicides, fungicides, soil fumigants, desiccants, rodenticides,
35 adjuvants, plant nutrients and plant growth regulators.

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

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

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

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

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

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

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

34 (a) "Personal property liquidation transaction" means a sale of
35 personal property made by a personal property liquidator acting solely on
36 behalf of the owner of the personal property sold at the dwelling of the
37 owner or on the death of any owner, on behalf of the surviving spouse, if
38 any, any devisee or heir or the personal representative of the estate of
39 the deceased, if one has been appointed.

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

42 40. Sales of food, drink and condiment for consumption within the
43 premises of any prison, jail or other institution under the jurisdiction
44 of the state department of corrections, the department of public safety,
45 the department of juvenile corrections or a county sheriff.

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

6 42. Sales of:

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

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

16 43. Sales of implants used as growth promotants and injectable
17 medicines, not already exempt under paragraph 8 of this subsection, for
18 livestock or poultry owned by or in possession of persons that are engaged
19 in producing livestock, poultry, or livestock or poultry products or that
20 are engaged in feeding livestock or poultry commercially. For the
21 purposes of this paragraph, "poultry" includes ratites.

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

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

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

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

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

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

41 48. Tangible personal property sold to a commercial airline and
42 consisting of food, beverages and condiments and accessories used for
43 serving the food and beverages, if those items are to be provided without
44 additional charge to passengers for consumption in flight. For the
45 purposes of this paragraph, "commercial airline" means a person holding a
46 federal certificate of public convenience and necessity or foreign air

1 carrier permit for air transportation to transport persons, property or
2 United States mail in intrastate, interstate or foreign commerce.

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

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

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

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

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

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

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

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

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

36 56. Sales or other transfers of renewable energy credits or any
37 other unit created to track energy derived from renewable energy
38 resources. For the purposes of this paragraph, "renewable energy credit"
39 means a unit created administratively by the corporation commission or
40 governing body of a public power utility to track kilowatt hours of
41 electricity derived from a renewable energy resource or the kilowatt hour
42 equivalent of conventional energy resources displaced by distributed
43 renewable energy resources.

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

1 58. Sales of tangible personal property incorporated or fabricated
2 into a project described in section 42-5075, subsection ~~⊖~~ P, that is
3 located within the exterior boundaries of an Indian reservation for which
4 the owner, as defined in section 42-5075, of the project is an Indian
5 tribe or an affiliated Indian. For the purposes of this paragraph:

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

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

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

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

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

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

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

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

43 3. Tangible personal property sold to persons engaged in business
44 classified under the telecommunications classification, including a person
45 representing or working on behalf of such a person in a manner described
46 in section 42-5075, subsection ~~⊖~~ P, and consisting of central office

1 switching equipment, switchboards, private branch exchange equipment,
2 microwave radio equipment and carrier equipment including optical fiber,
3 coaxial cable and other transmission media that are components of carrier
4 systems.

5 4. Machinery, equipment or transmission lines used directly in
6 producing or transmitting electrical power, but not including
7 distribution. Transformers and control equipment used at transmission
8 substation sites constitute equipment used in producing or transmitting
9 electrical power.

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

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

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

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

23 6. Neat animals, horses, asses, sheep, ratites, swine or goats used
24 or to be used as breeding or production stock, including sales of
25 breedings or ownership shares in such animals used for breeding or
26 production.

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

31 8. Aircraft, navigational and communication instruments and other
32 accessories and related equipment sold to:

33 (a) A person:

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

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

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

1 (iv) Operating an aircraft to transport persons in any manner for
2 compensation or hire, or for use in a fractional ownership program that
3 meets the requirements of federal aviation administration regulations
4 (14 Code of Federal Regulations part 91, subpart K), including as an air
5 carrier, a foreign air carrier or a commercial operator or under a
6 restricted category, within the meaning of 14 Code of Federal Regulations,
7 regardless of whether the operation or aircraft is regulated or certified
8 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code
9 of Federal Regulations.

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

15 (b) Any foreign government.

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

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

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

29 11. Machinery or equipment used directly to drill for oil or gas or
30 used directly in the process of extracting oil or gas from the earth for
31 commercial purposes.

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

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

41 14. Machinery and equipment consisting of agricultural aircraft,
42 tractors, off-highway vehicles, tractor-drawn implements, self-powered
43 implements, machinery and equipment necessary for extracting milk, and
44 machinery and equipment necessary for cooling milk and livestock, and drip
45 irrigation lines not already exempt under paragraph 7 of this subsection
46 and that are used for commercial production of agricultural,

1 horticultural, viticultural and floricultural crops and products in this
2 state. For the purposes of this paragraph:

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

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

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

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

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

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

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

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

45 17. Clean rooms that are used for manufacturing, processing,
46 fabrication or research and development, as defined in paragraph 15 of

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

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

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

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

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

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

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

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

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

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

9 22. Qualifying equipment that is purchased from and after June 30,
10 2004 through December 31, 2026 by a qualified business under section
11 41-1516 for harvesting or processing qualifying forest products removed
12 from qualifying projects as defined in section 41-1516. To qualify for
13 this deduction, the qualified business at the time of purchase must
14 present its certification approved by the department.

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

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

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

29 2. Janitorial equipment and hand tools.

30 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

1 directly and predominantly to construct a qualified environmental
2 technology manufacturing, producing or processing facility as described in
3 section 41-1514.02. This subsection applies for ten full consecutive
4 calendar or 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
19 gross proceeds of sales of each class, and if the books are not so kept,
20 the tax under this section applies to the gross proceeds of every sale so
21 made.

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

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

33 2. Businesses classified under the:

34 (a) Transporting classification.

35 (b) Utilities classification.

36 (c) Telecommunications classification.

37 (d) Pipeline classification.

38 (e) Private car line classification.

39 (f) Publication classification.

40 (g) Job printing classification.

41 (h) Prime contracting classification.

42 (i) Restaurant classification.

43 I. The gross proceeds of sales or gross income derived from the
44 following shall be deducted from the tax base for the retail
45 classification:

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

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

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

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

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

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

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

30 1. A manufacturer's cash rebate on the sales price of a motor
31 vehicle if the buyer assigns the buyer's right in the rebate to the
32 retailer.

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

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

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

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

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

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

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

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

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

23 1. The transfer of title or possession of the coal is for the
24 purpose of refining the coal.

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

31 S. If a seller is entitled to a deduction pursuant to subsection B,
32 paragraph 16, subdivision (b) of this section, the department may require
33 the purchaser to establish that the requirements of subsection B,
34 paragraph 16, subdivision (b) of this section have been satisfied. If the
35 purchaser cannot establish that the requirements of subsection B,
36 paragraph 16, subdivision (b) of this section have been satisfied, the
37 purchaser is liable in an amount equal to any tax, penalty and interest
38 that the seller would have been required to pay under article 1 of this
39 chapter if the seller had not made a deduction pursuant to subsection B,
40 paragraph 16, subdivision (b) of this section. Payment of the amount
41 under this subsection exempts the purchaser from liability for any tax
42 imposed under article 4 of this chapter and related to the tangible
43 personal property purchased. The amount shall be treated as transaction
44 privilege tax to the purchaser and as tax revenues collected from the
45 seller to designate the distribution base pursuant to section 42-5029.

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

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

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

10 U. FOR THE PURPOSES OF SECTION 42-5032.03, BEGINNING THE FIRST DAY
11 OF THE MONTH FOLLOWING THE EFFECTIVE DATE OF THIS [AMENDMENT TO THIS]
12 SECTION THROUGH THE MONTH OF THE NOTICE PROVIDED PURSUANT TO SECTION
13 48-4238 OR DECEMBER 31, 2055, WHICHEVER IS [LATER] [EARLIER], THE
14 DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES COLLECTED UNDER THE
15 RETAIL CLASSIFICATION FROM BUSINESSES SELLING TANGIBLE PERSONAL PROPERTY
16 AT RETAIL ON THE PREMISES OF A MAJOR LEAGUE BASEBALL FACILITY OR AN
17 ADJACENT BUILDING THAT IS OWNED BY A COUNTY STADIUM DISTRICT PURSUANT TO
18 TITLE 48, CHAPTER 26 AND OPERATED BY THE COUNTY STADIUM DISTRICT OR THE
19 PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES THE FACILITY OR
20 ADJACENT BUILDING.

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

34 ~~V.~~ W. For the purposes of this section:

35 1. "Agricultural aircraft" means an aircraft that is built for
36 agricultural use for the aerial application of pesticides or fertilizer or
37 for aerial seeding.

38 2. "Aircraft" includes:

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

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

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

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

10 ~~W.~~ X. For the purposes of subsection I of this section:

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

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

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

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

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

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

39 Sec. 8. Section 42-5073, Arizona Revised Statutes, is amended to
40 read:

41 42-5073. Amusement classification

42 A. The amusement classification is comprised of the business of
43 operating or conducting theaters, movies, operas, shows of any type or
44 nature, exhibitions, concerts, carnivals, circuses, amusement parks,
45 menageries, fairs, races, contests, games, billiard or pool parlors,
46 bowling alleys, public dances, dance halls, boxing and wrestling matches,

1 skating rinks, tennis courts, except as provided in subsection B of this
2 section, video games, pinball machines or sports events or any other
3 business charging admission or user fees for exhibition, amusement or
4 entertainment, including the operation or sponsorship of events by a
5 tourism and sports authority under title 5, chapter 8. For the purposes
6 of this section, admission or user fees include, but are not limited to,
7 any revenues derived from any form of contractual agreement for rights to
8 or use of premium or special seating facilities or arrangements. The
9 amusement classification does not include:

10 1. Activities or projects of bona fide religious or educational
11 institutions.

12 2. Private or group instructional activities. For the purposes of
13 this paragraph, "private or group instructional activities" includes, but
14 is not limited to, performing arts, martial arts, gymnastics and aerobic
15 instruction.

16 3. The operation or sponsorship of events by the Arizona exposition
17 and state fair board or county fair commissions.

18 4. A musical, dramatic or dance group or a botanical garden, museum
19 or zoo that is qualified as a nonprofit charitable organization under
20 section 501(c)(3) of the United States internal revenue code if no part of
21 its net income inures to the benefit of any private shareholder or
22 individual.

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

36 6. Operating or sponsoring rodeos that feature primarily farm and
37 ranch animals in this state and that are sponsored, conducted or operated
38 by a nonprofit organization that is exempt from taxation under section
39 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the internal
40 revenue code if no part of the organization's net earnings inures to the
41 benefit of any private shareholder or individual.

42 7. Sales of admissions to intercollegiate football contests if the
43 contests are both:

44 (a) Operated by a nonprofit organization that is exempt from
45 taxation under section 501(c)(3) of the internal revenue code and no part

1 of the organization's net earnings inures to the benefit of any private
2 shareholder or individual.

3 (b) Not held in a multipurpose facility that is owned or operated
4 by the tourism and sports authority pursuant to title 5, chapter 8.

5 8. Activities and events of, or fees and assessments received by, a
6 homeowners organization from persons who are members of the organization
7 or accompanied guests of members. For the purposes of this paragraph,
8 "homeowners organization" means a mandatory membership organization
9 comprised of owners of residential property within a specified residential
10 real estate subdivision development or similar area and established to own
11 property for the benefit of its members where both of the following apply:

12 (a) No part of the organization's net earnings inures to the
13 benefit of any private shareholder or individual.

14 (b) The primary purpose of the organization is to provide for the
15 acquisition, construction, management, maintenance or care of organization
16 property.

17 9. Activities and events of, or fees received by, a nonprofit
18 organization that is exempt from taxation under section 501(c)(6) of the
19 internal revenue code if the organization produces, organizes or promotes
20 cultural or civic related festivals or events and no part of the
21 organization's net earnings inures to the benefit of any private
22 shareholder or individual.

23 10. Arranging an amusement activity as a service to a person's
24 customers if that person is not otherwise engaged in the business of
25 operating or conducting an amusement personally or through others. This
26 exception does not apply to businesses that operate or conduct amusements
27 pursuant to customer orders and send the billings and receive the payments
28 associated with that activity, including when the amusement is performed
29 by third-party independent contractors. For the purposes of this
30 paragraph, "arranging" includes billing for or collecting amusement
31 charges from a person's customers on behalf of the persons providing the
32 amusement.

33 B. The tax base for the amusement classification is the gross
34 proceeds of sales or gross income derived from the business, except that
35 the following shall be deducted from the tax base:

36 1. The gross proceeds of sales or gross income derived from
37 memberships, including initiation fees, that provide for the right to use
38 a health or fitness establishment or a private recreational establishment,
39 or any portion of an establishment, including tennis and other racquet
40 courts at that establishment, for participatory purposes for twenty-eight
41 days or more and fees charged for use of the health or fitness
42 establishment or private recreational establishment by bona fide
43 accompanied guests of members, except that this paragraph does not include
44 additional fees, other than initiation fees, charged by a health or
45 fitness establishment or a private recreational establishment for purposes
46 other than memberships that provide for the right to use a health or

1 fitness establishment or private recreational establishment, or any
2 portion of an establishment, for participatory purposes for twenty-eight
3 days or more and accompanied guest use fees.

4 2. Amounts that are exempt under section 5-111, subsection G.

5 3. The gross proceeds of sales or gross income derived from
6 membership fees, including initiation fees, that provide for the right to
7 use a transient lodging recreational establishment, including golf courses
8 and tennis and other racquet courts at that establishment, for
9 participatory purposes for twenty-eight days or more, except that this
10 paragraph does not include additional fees, other than initiation fees,
11 that are charged by a transient lodging recreational establishment for
12 purposes other than memberships and that provide for the right to use a
13 transient lodging recreational establishment or any portion of the
14 establishment for participatory purposes for twenty-eight days or more.

15 4. The gross proceeds of sales or gross income derived from sales
16 to persons engaged in the business of transient lodging classified under
17 section 42-5070, if all of the following apply:

18 (a) The persons who are engaged in the transient lodging business
19 sell the amusement to another person for consideration.

20 (b) The consideration received by the transient lodging business is
21 equal to or greater than the amount to be deducted under this subsection.

22 (c) The transient lodging business has provided an exemption
23 certificate to the person engaging in business under this section.

24 5. The gross proceeds of sales or gross income derived from:

25 (a) Business activity that is properly included in any other
26 business classification under this article and that is taxable to the
27 person engaged in that classification, but the gross proceeds of sales or
28 gross income to be deducted shall not exceed the consideration paid to the
29 person conducting the activity.

30 (b) Business activity that is arranged by the person who is subject
31 to tax under this section and that is not taxable to the person conducting
32 the activity due to an exclusion, exemption or deduction under this
33 section or section 42-5062, but the gross proceeds of sales or gross
34 income to be deducted shall not exceed the consideration paid to the
35 person conducting the activity.

36 (c) Business activity that is arranged by a person who is subject
37 to tax under this section and that is taxable to another person under this
38 section who conducts the activity, but the gross proceeds of sales or
39 gross income to be deducted shall not exceed the consideration paid to the
40 person conducting the activity.

41 6. The gross proceeds of sales or gross income derived from entry
42 fees paid by participants for events that either:

43 (a) Until March 1, 2017, consist of a run, walk, swim or bicycle
44 ride or a similar event, or any combination of these events.

45 (b) Are operated or conducted by nonprofit organizations that are
46 exempt from taxation under section 501(c)(3) of the internal revenue code

1 and of which no part of the organization's net earnings inures to the
2 benefit of any private shareholder or individual, if the event consists of
3 a run, walk, swim or bicycle ride or a similar event, or any combination
4 of these events.

5 C. For the purposes of subsection B of this section:

6 1. "Health or fitness establishment" means a facility whose primary
7 purpose is to provide facilities, equipment, instruction or education to
8 promote the health and fitness of its members and at least eighty percent
9 of the monthly gross revenue of the facility is received through accounts
10 of memberships and accompanied guest use fees that provide for the right
11 to use the facility, or any portion of the facility, under the terms of
12 the membership agreement for participatory purposes for twenty-eight days
13 or more.

14 2. "Private recreational establishment" means a facility whose
15 primary purpose is to provide recreational facilities, such as tennis,
16 golf and swimming, for its members and where at least eighty percent of
17 the monthly gross revenue of the facility is received through accounts of
18 memberships and accompanied guest use fees that provide for the right to
19 use the facility, or any portion of the facility, for participatory
20 purposes for twenty-eight days or more.

21 3. "Transient lodging recreational establishment" means a facility
22 whose primary purpose is to provide facilities for transient lodging, that
23 is subject to taxation under this chapter and that also provides
24 recreational facilities, such as tennis, golf and swimming, for members
25 for a period of twenty-eight days or more.

26 D. Until December 31, 1988, the revenues from hayrides and other
27 animal-drawn amusement rides, from horseback riding and riding instruction
28 and from recreational tours using motor vehicles designed to operate on
29 and off public highways are exempt from the tax imposed by this section.
30 Beginning January 1, 1989, the gross proceeds or gross income from
31 hayrides and other animal-drawn amusement rides, from horseback riding and
32 from recreational tours using motor vehicles designed to operate on and
33 off public highways are subject to taxation under this section. Tax
34 liabilities, penalties and interest paid for taxable periods before
35 January 1, 1989 shall not be refunded unless the taxpayer requesting the
36 refund provides proof satisfactory to the department that the taxes will
37 be returned to the customer.

38 E. If a person is engaged in the business of offering both
39 exhibition, amusement or entertainment and private or group instructional
40 activities, the person's books shall be kept to show separately the gross
41 income from exhibition, amusement or entertainment and the gross income
42 from instructional activities. If the books do not provide this separate
43 accounting, the tax is imposed on the person's total gross income from the
44 business.

1 F. The department shall separately account for revenues collected
2 under the amusement classification for the purposes of section 42-5029,
3 subsection D, paragraph 4, subdivision (b).

4 G. For the purposes of section 42-5032.01, the department shall
5 separately account for revenues collected under the amusement
6 classification from sales of admissions to:

7 1. Events that are held in a multipurpose facility that is owned or
8 operated by the tourism and sports authority pursuant to title 5, chapter
9 8, including intercollegiate football contests that are operated by a
10 nonprofit organization that is exempt from taxation under section
11 501(c)(3) of the internal revenue code.

12 2. Professional football contests that are held in a stadium
13 located on the campus of an institution under the jurisdiction of the
14 Arizona board of regents.

15 H. FOR THE PURPOSES OF SECTION 42-5032.03, BEGINNING THE FIRST DAY
16 OF THE MONTH FOLLOWING THE EFFECTIVE DATE OF THIS [AMENDMENT TO THIS]
17 SECTION THROUGH THE MONTH OF THE NOTICE PROVIDED PURSUANT TO SECTION
18 48-4238 OR DECEMBER 31, 2055, WHICHEVER IS [LATER] [EARLIER], THE
19 DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES COLLECTED UNDER THE
20 AMUSEMENT CLASSIFICATION FROM THE SALES OF ADMISSIONS TO A MAJOR LEAGUE
21 BASEBALL FACILITY THAT IS OWNED BY A COUNTY STADIUM DISTRICT PURSUANT TO
22 TITLE 48, CHAPTER 26 AND OPERATED BY THE COUNTY STADIUM DISTRICT OR THE
23 PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES THE FACILITY OR
24 ADJACENT BUILDING.

25 Sec. 9. Section 42-5074, Arizona Revised Statutes, is amended to
26 read:

27 42-5074. Restaurant classification

28 A. The restaurant classification is comprised of the business of
29 operating restaurants, dining cars, dining rooms, lunchrooms, mobile food
30 units, lunch stands, soda fountains, catering services or similar
31 establishments where articles of food or drink are sold for consumption on
32 or off the premises.

33 B. The tax base for the restaurant classification is the gross
34 proceeds of sales or gross income derived from the business. The gross
35 proceeds of sales or gross income derived from the following shall be
36 deducted from the tax base:

37 1. Sales to a person engaged in business classified under the
38 restaurant classification if the items sold are to be resold in the
39 regular course of the business.

40 2. Sales by a congressionally chartered veterans organization of
41 food or drink prepared for consumption on the premises leased, owned or
42 maintained by the organization.

1 3. Sales by churches, fraternal benefit societies and other
2 nonprofit organizations, as these organizations are defined in the federal
3 internal revenue code (26 United States Code section 501), that do not
4 regularly engage or continue in the restaurant business for the purpose of
5 fund-raising.

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

18 5. Sales at a rodeo featuring primarily farm and ranch animals in
19 this state by a nonprofit organization that is exempt from taxation under
20 section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the
21 internal revenue code if no part of the organization's net earnings inures
22 to the benefit of any private shareholder or individual.

23 6. Sales by any nonprofit organization organized and operated
24 exclusively for charitable purposes and recognized by the United States
25 internal revenue service under section 501(c)(3) of the internal revenue
26 code.

27 7. Sales to qualifying hospitals as defined in section 42-5001.

28 8. Sales to a qualifying health care organization as defined in
29 section 42-5001 if the tangible personal property is used by the
30 organization solely to provide health and medical related educational and
31 charitable services.

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

36 10. Sales of articles of prepared or unprepared food, drink or
37 condiment and accessory tangible personal property to a school district or
38 charter school if the articles and accessory tangible personal property
39 are served to persons for consumption on the premises of a public school
40 in the school district or charter school during school hours.

41 11. Prepared food, drink or condiment donated by a restaurant to a
42 nonprofit charitable organization that has qualified under section
43 501(c)(3) of the internal revenue code and that regularly serves meals to
44 the needy and indigent on a continuing basis at no cost.

45 12. Sales of articles of food and drink at low or reduced prices to
46 eligible elderly or homeless persons or persons with a disability by a

1 restaurant that contracts with the department of economic security and
2 that is approved by the food and nutrition services of the United States
3 department of agriculture pursuant to the supplemental nutrition
4 assistance program established by the food and nutrition act of 2008
5 (P.L. 110-246; 122 Stat. 1651; 7 United States Code sections 2011 through
6 2036a), if the purchases of the articles of food and drink are made with
7 the benefits issued pursuant to the supplemental nutrition assistance
8 program.

9 C. The tax imposed on the restaurant classification pursuant to
10 this section does not apply to the gross proceeds of sales or gross income
11 from tangible personal property sold to a commercial airline consisting of
12 food, beverages and condiments and accessories used for serving the food
13 and beverages, if those items are to be provided without additional charge
14 to passengers for consumption in flight. For the purposes of this
15 subsection, "commercial airline" means a person holding a federal
16 certificate of public convenience and necessity or foreign air carrier
17 permit for air transportation to transport persons, property or United
18 States mail in intrastate, interstate or foreign commerce.

19 D. The department shall separately account for revenues collected
20 under the restaurant classification for the purposes of section 42-5029,
21 subsection D, paragraph 4, subdivision (b).

22 E. For the purposes of section 42-5032.01, the department shall
23 separately account for revenues collected under the restaurant
24 classification from businesses operating restaurants, dining rooms,
25 lunchrooms, lunch stands, soda fountains, catering services or similar
26 establishments:

27 1. On the premises of a multipurpose facility that is owned or
28 operated by the tourism and sports authority pursuant to title 5, chapter
29 8 for consumption on or off the premises.

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

33 F. FOR THE PURPOSES OF SECTION 42-5032.03, BEGINNING THE FIRST DAY
34 OF THE MONTH FOLLOWING THE EFFECTIVE DATE OF THIS [AMENDMENT TO THIS]
35 SECTION THROUGH THE MONTH OF THE NOTICE PROVIDED PURSUANT TO SECTION
36 48-4238 OR DECEMBER 31, 2055, WHICHEVER IS [LATER] [EARLIER], THE
37 DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES COLLECTED UNDER THE
38 RESTAURANT CLASSIFICATION FROM BUSINESSES OPERATING RESTAURANTS, DINING
39 ROOMS, LUNCHROOMS, LUNCH STANDS, SODA FOUNTAINS, CATERING SERVICES OR
40 SIMILAR ESTABLISHMENTS ON THE PREMISES OF A MAJOR LEAGUE BASEBALL FACILITY
41 OR AN ADJACENT BUILDING THAT IS OWNED BY A COUNTY STADIUM DISTRICT
42 PURSUANT TO TITLE 48, CHAPTER 26 AND OPERATED BY THE COUNTY STADIUM
43 DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES
44 THE FACILITY OR ADJACENT BUILDING.

1 Sec. 10. Section 42-5075, Arizona Revised Statutes, is amended to
2 read:

3 42-5075. Prime contracting classification; exemptions;
4 definitions

5 A. The prime contracting classification is comprised of the
6 business of prime contracting and the business of manufactured building
7 dealer. Sales for resale to another manufactured building dealer are not
8 subject to tax. Sales for resale do not include sales to a lessor of
9 manufactured buildings. The sale of a used manufactured building is not
10 taxable under this chapter. The prime contracting classification does not
11 include any work or operation performed by a person that is not required
12 to be licensed by the registrar of contractors pursuant to section
13 32-1121.

14 B. The tax base for the prime contracting classification is
15 sixty-five percent of the gross proceeds of sales or gross income derived
16 from the business. The following amounts shall be deducted from the gross
17 proceeds of sales or gross income before computing the tax base:

18 1. The sales price of land, which shall not exceed the fair market
19 value.

20 2. Sales and installation of groundwater measuring devices required
21 under section 45-604 and groundwater monitoring wells required by law,
22 including monitoring wells installed for acquiring information for a
23 permit required by law.

24 3. The sales price of furniture, furnishings, fixtures, appliances
25 and attachments that are not incorporated as component parts of or
26 attached to a manufactured building or the setup site. The sale of such
27 items may be subject to the taxes imposed by article 1 of this chapter
28 separately and distinctly from the sale of the manufactured building.

29 4. The gross proceeds of sales or gross income received from a
30 contract entered into for the modification of any building, highway, road,
31 railroad, excavation, manufactured building or other structure, project,
32 development or improvement located in a military reuse zone for providing
33 aviation or aerospace services or for a manufacturer, assembler or
34 fabricator of aviation or aerospace products within an active military
35 reuse zone after the zone is initially established or renewed under
36 section 42-1301. To be eligible to qualify for this deduction, before
37 beginning work under the contract, the prime contractor must have applied
38 for a letter of qualification from the department of revenue.

39 5. The gross proceeds of sales or gross income derived from a
40 contract to construct a qualified environmental technology manufacturing,
41 producing or processing facility, as described in section 41-1514.02, and
42 from subsequent construction and installation contracts that begin within
43 ten years after the start of initial construction. To qualify for this
44 deduction, before beginning work under the contract, the prime contractor
45 must obtain a letter of qualification from the department of revenue. This

1 paragraph shall apply for ten full consecutive calendar or fiscal years
2 after the start of initial construction.

3 6. The gross proceeds of sales or gross income from a contract to
4 provide for one or more of the following actions, or a contract for site
5 preparation, constructing, furnishing or installing machinery, equipment
6 or other tangible personal property, including structures necessary to
7 protect exempt incorporated materials or installed machinery or equipment,
8 and tangible personal property incorporated into the project, to perform
9 one or more of the following actions in response to a release or suspected
10 release of a hazardous substance, pollutant or contaminant from a facility
11 to the environment, unless the release was authorized by a permit issued
12 by a governmental authority:

13 (a) Actions to monitor, assess and evaluate such a release or a
14 suspected release.

15 (b) Excavation, removal and transportation of contaminated soil and
16 its treatment or disposal.

17 (c) Treatment of contaminated soil by vapor extraction, chemical or
18 physical stabilization, soil washing or biological treatment to reduce the
19 concentration, toxicity or mobility of a contaminant.

20 (d) Pumping and treatment or in situ treatment of contaminated
21 groundwater or surface water to reduce the concentration or toxicity of a
22 contaminant.

23 (e) The installation of structures, such as cutoff walls or caps,
24 to contain contaminants present in groundwater or soil and prevent them
25 from reaching a location where they could threaten human health or welfare
26 or the environment.

27 This paragraph does not include asbestos removal or the construction or
28 use of ancillary structures such as maintenance sheds, offices or storage
29 facilities for unattached equipment, pollution control equipment,
30 facilities or other control items required or to be used by a person to
31 prevent or control contamination before it reaches the environment.

32 7. The gross proceeds of sales or gross income that is derived from
33 a contract for the installation, assembly, repair or maintenance of
34 machinery, equipment or other tangible personal property that is either
35 deducted from the tax base of the retail classification under section
36 42-5061, subsection B or that is exempt from use tax under section
37 42-5159, subsection B and that has independent functional utility,
38 pursuant to the following provisions:

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

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

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

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

5 (b) The deduction provided in this paragraph does not include gross
6 proceeds of sales or gross income from the portion of any contracting
7 activity that consists of the development of, or modification to, real
8 property in order to facilitate the installation, assembly, repair,
9 maintenance or removal of machinery, equipment or other tangible personal
10 property that is either deducted from the tax base of the retail
11 classification under section 42-5061, subsection B or exempt from use tax
12 under section 42-5159, subsection B.

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

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

20 (i) Assembling the machinery, equipment or other tangible personal
21 property.

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

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

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

31 8. The gross proceeds of sales or gross income attributable to the
32 purchase of machinery, equipment or other tangible personal property that
33 is exempt from or deductible from transaction privilege and use tax under:

34 (a) Section 42-5061, subsection A, paragraph 25, 29 or 58.

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

36 (c) Section 42-5159, subsection A, paragraph 13, subdivision (a),
37 (b), (c), (d), (e), (f), (j), (k), (m) or (n) or paragraph 55.

38 (d) Section 42-5159, subsection B.

39 9. The gross proceeds of sales or gross income received from a
40 contract for the construction of an environmentally controlled facility
41 for the raising of poultry for the production of eggs and the sorting,
42 cooling and packaging of eggs.

1 10. The gross proceeds of sales or gross income that is derived
2 from a contract entered into with a person who is engaged in the
3 commercial production of livestock, livestock products or agricultural,
4 horticultural, viticultural or floricultural crops or products in this
5 state for the modification of any building, highway, road, excavation,
6 manufactured building or other structure, project, development or
7 improvement used directly and primarily to prevent, monitor, control or
8 reduce air, water or land pollution.

9 11. The gross proceeds of sales or gross income that is derived
10 from the installation, assembly, repair or maintenance of clean rooms that
11 are deducted from the tax base of the retail classification pursuant to
12 section 42-5061, subsection B, paragraph 17.

13 12. For taxable periods beginning from and after June 30, 2001, the
14 gross proceeds of sales or gross income derived from a contract entered
15 into for the construction of a residential apartment housing facility that
16 qualifies for a federal housing subsidy for low-income persons over
17 sixty-two years of age and that is owned by a nonprofit charitable
18 organization that has qualified under section 501(c)(3) of the internal
19 revenue code.

20 13. For taxable periods beginning from and after December 31, 1996
21 and ending before January 1, 2017, the gross proceeds of sales or gross
22 income derived from a contract to provide and install a solar energy
23 device. The contractor shall register with the department as a solar
24 energy contractor. By registering, the contractor acknowledges that it
25 will make its books and records relating to sales of solar energy devices
26 available to the department for examination.

27 14. The gross proceeds of sales or gross income derived from a
28 contract entered into for the construction of a launch site, as defined in
29 14 Code of Federal Regulations section 401.5.

30 15. The gross proceeds of sales or gross income derived from a
31 contract entered into for the construction of a domestic violence shelter
32 that is owned and operated by a nonprofit charitable organization that has
33 qualified under section 501(c)(3) of the internal revenue code.

34 16. The gross proceeds of sales or gross income derived from
35 contracts to perform postconstruction treatment of real property for
36 termite and general pest control, including wood-destroying organisms.

37 17. The gross proceeds of sales or gross income received from
38 contracts entered into before July 1, 2006 for constructing a state
39 university research infrastructure project if the project has been
40 reviewed by the joint committee on capital review before the university
41 enters into the construction contract for the project. For the purposes
42 of this paragraph, "research infrastructure" has the same meaning
43 prescribed in section 15-1670.

1 18. The gross proceeds of sales or gross income received from a
2 contract for the construction of any building, or other structure,
3 project, development or improvement owned by a qualified business under
4 section 41-1516 for harvesting or processing qualifying forest products
5 removed from qualifying projects as defined in section 41-1516 if actual
6 construction begins before January 1, 2024. To qualify for this
7 deduction, the prime contractor must obtain a letter of qualification from
8 the Arizona commerce authority before beginning work under the contract.

9 19. Any amount of the gross proceeds of sales or gross income
10 attributable to development fees that are incurred in relation to a
11 contract for construction, development or improvement of real property and
12 that are paid by a prime contractor or subcontractor. For the purposes of
13 this paragraph:

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

16 (b) The attributable amount is equal to the total amount of
17 development fees paid by the prime contractor or subcontractor, and the
18 total development fees credited in exchange for the construction of,
19 contribution to or dedication of real property for providing public
20 infrastructure, public safety or other public services necessary to the
21 development. The real property must be the subject of the development
22 fees.

23 (c) "Development fees" means fees imposed to offset capital costs
24 of providing public infrastructure, public safety or other public services
25 to a development and authorized pursuant to section 9-463.05, section
26 11-1102 or title 48 regardless of the jurisdiction to which the fees are
27 paid.

28 20. The gross proceeds of sales or gross income derived from a
29 contract entered into for the construction of a mixed waste processing
30 facility that is located on a municipal solid waste landfill and that is
31 constructed for the purpose of recycling solid waste or producing
32 renewable energy from landfill waste. For the purposes of this paragraph:

33 (a) "Mixed waste processing facility" means a solid waste facility
34 that is owned, operated or used for the treatment, processing or disposal
35 of solid waste, recyclable solid waste, very small quantity generator
36 waste or household hazardous waste. For the purposes of this subdivision,
37 "very small quantity generator waste", "household hazardous waste" and
38 "solid waste facility" have the same meanings prescribed in section
39 49-701, except that solid waste facility does include a site that stores,
40 treats or processes paper, glass, wood, cardboard, household textiles,
41 scrap metal, plastic, vegetative waste, aluminum, steel or other
42 recyclable material.

43 (b) "Municipal solid waste landfill" has the same meaning
44 prescribed in section 49-701.

1 (c) "Recycling" means collecting, separating, cleansing, treating
2 and reconstituting recyclable solid waste that would otherwise become
3 solid waste, but does not include incineration or other similar processes.

4 (d) "Renewable energy" means usable energy, including electricity,
5 fuels, gas and heat, produced through the conversion of energy provided by
6 sunlight, water, wind, geothermal, heat, biomass, biogas, landfill gas or
7 another nonfossil renewable resource.

8 21. The gross proceeds of sales or gross income derived from a
9 contract to install containment structures. For the purposes of this
10 paragraph, "containment structure" means a structure that prevents,
11 monitors, controls or reduces noxious or harmful discharge into the
12 environment.

13 C. Entitlement to the deduction pursuant to subsection B, paragraph
14 7 of this section is subject to the following provisions:

15 1. A prime contractor may establish entitlement to the deduction by
16 both:

17 (a) Marking the invoice for the transaction to indicate that the
18 gross proceeds of sales or gross income derived from the transaction was
19 deducted from the base.

20 (b) Obtaining a certificate executed by the purchaser indicating
21 the name and address of the purchaser, the precise nature of the business
22 of the purchaser, the purpose for which the purchase was made, the
23 necessary facts to establish the deductibility of the property under
24 section 42-5061, subsection B, and a certification that the person
25 executing the certificate is authorized to do so on behalf of the
26 purchaser. The certificate may be disregarded if the prime contractor has
27 reason to believe that the information contained in the certificate is not
28 accurate or complete.

29 2. A person who does not comply with paragraph 1 of this subsection
30 may establish entitlement to the deduction by presenting facts necessary
31 to support the entitlement, but the burden of proof is on that person.

32 3. The department may prescribe a form for the certificate
33 described in paragraph 1, subdivision (b) of this subsection. The
34 department may also adopt rules that describe the transactions with
35 respect to which a person is not entitled to rely solely on the
36 information contained in the certificate provided in paragraph 1,
37 subdivision (b) of this subsection but must instead obtain such additional
38 information as required in order to be entitled to the deduction.

39 4. If a prime contractor is entitled to a deduction by complying
40 with paragraph 1 of this subsection, the department may require the
41 purchaser who caused the execution of the certificate to establish the
42 accuracy and completeness of the information required to be contained in
43 the certificate that would entitle the prime contractor to the deduction.
44 If the purchaser cannot establish the accuracy and completeness of the
45 information, the purchaser is liable in an amount equal to any tax,
46 penalty and interest that the prime contractor would have been required to

1 pay under article 1 of this chapter if the prime contractor had not
2 complied with paragraph 1 of this subsection. Payment of the amount under
3 this paragraph exempts the purchaser from liability for any tax imposed
4 under article 4 of this chapter. The amount shall be treated as a
5 transaction privilege tax to the purchaser and as tax revenues collected
6 from the prime contractor in order to designate the distribution base for
7 purposes of section 42-5029.

8 D. Subcontractors or others who perform modification activities are
9 not subject to tax if they can demonstrate that the job was within the
10 control of a prime contractor or contractors or a dealership of
11 manufactured buildings and that the prime contractor or dealership is
12 liable for the tax on the gross income, gross proceeds of sales or gross
13 receipts attributable to the job and from which the subcontractors or
14 others were paid.

15 E. Amounts received by a contractor for a project are excluded from
16 the contractor's gross proceeds of sales or gross income derived from the
17 business if the person who hired the contractor executes and provides a
18 certificate to the contractor stating that the person providing the
19 certificate is a prime contractor and is liable for the tax under article
20 1 of this chapter. The department shall prescribe the form of the
21 certificate. If the contractor has reason to believe that the information
22 contained on the certificate is erroneous or incomplete, the department
23 may disregard the certificate. If the person who provides the certificate
24 is not liable for the tax as a prime contractor, that person is
25 nevertheless deemed to be the prime contractor in lieu of the contractor
26 and is subject to the tax under this section on the gross receipts or
27 gross proceeds received by the contractor.

28 F. Every person engaging or continuing in this state in the
29 business of prime contracting or dealership of manufactured buildings
30 shall present to the purchaser of such prime contracting or manufactured
31 building a written receipt of the gross income or gross proceeds of sales
32 from such activity and shall separately state the taxes to be paid
33 pursuant to this section.

34 G. For the purposes of section 42-5032.01, the department shall
35 separately account for revenues collected under the prime contracting
36 classification from any prime contractor engaged in the preparation or
37 construction of a multipurpose facility, and related infrastructure, that
38 is owned, operated or leased by the tourism and sports authority pursuant
39 to title 5, chapter 8.

40 H. For the purposes of section 42-5032.02, from and after
41 September 30, 2013, the department shall separately account for revenues
42 reported and collected under the prime contracting classification from any
43 prime contractor engaged in the construction of any buildings and
44 associated improvements that are for the benefit of a manufacturing
45 facility. For the purposes of this subsection, "associated improvements"

1 and "manufacturing facility" have the same meanings prescribed in section
2 42-5032.02.

3 I. FOR THE PURPOSES OF SECTION 42-5032.02, BEGINNING THE FIRST DAY
4 OF THE MONTH FOLLOWING THE EFFECTIVE DATE OF THIS [AMENDMENT TO THIS]
5 SECTION THROUGH THE MONTH OF THE NOTICE PROVIDED PURSUANT TO SECTION
6 48-4238 OR DECEMBER 31, 2055, WHICHEVER IS [LATER] [EARLIER], THE
7 DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES REPORTED AND COLLECTED
8 UNDER THE PRIME CONTRACTING CLASSIFICATION FROM ANY PRIME CONTRACTOR
9 ENGAGED IN THE CONSTRUCTION OF ANY BUILDINGS AND ASSOCIATED IMPROVEMENTS
10 THAT ARE FOR THE BENEFIT OF A MAJOR LEAGUE BASEBALL FACILITY OR AN
11 ADJACENT BUILDING THAT IS OWNED BY A COUNTY STADIUM DISTRICT PURSUANT TO
12 TITLE 48, CHAPTER 26 AND OPERATED BY THE COUNTY STADIUM DISTRICT OR THE
13 PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES THE FACILITY OR
14 ADJACENT BUILDING.

15 ~~I.~~ J. The gross proceeds of sales or gross income derived from a
16 contract for lawn maintenance services is not subject to tax under this
17 section if the contract does not include landscaping activities. Lawn
18 maintenance service is a service pursuant to section 42-5061, subsection
19 A, paragraph 1, and includes lawn mowing and edging, weeding, repairing
20 sprinkler heads or drip irrigation heads, seasonal replacement of flowers,
21 refreshing gravel, lawn dethatching, seeding winter lawns, leaf and debris
22 collection and removal, tree or shrub pruning or clipping, garden and
23 gravel raking and applying pesticides, as defined in section 3-361, and
24 fertilizer materials, as defined in section 3-262.

25 ~~J.~~ K. Except as provided in subsection ~~P~~ of this section, the
26 gross proceeds of sales or gross income derived from landscaping
27 activities is subject to tax under this section. Landscaping includes
28 installing lawns, grading or leveling ground, installing gravel or
29 boulders, planting trees and other plants, felling trees, removing or
30 mulching tree stumps, removing other imbedded plants, building irrigation
31 berms, installing railroad ties and installing underground sprinkler or
32 watering systems.

33 ~~K.~~ L. The portion of gross proceeds of sales or gross income
34 attributable to the actual direct costs of providing architectural or
35 engineering services that are incorporated in a contract is not subject to
36 tax under this section. For the purposes of this subsection, "direct
37 costs" means the portion of the actual costs that are directly expended in
38 providing architectural or engineering services.

39 ~~L.~~ M. Operating a landfill or a solid waste disposal facility is
40 not subject to taxation under this section, including filling, compacting
41 and creating vehicle access to and from cell sites within the landfill.
42 Constructing roads to a landfill or solid waste disposal facility and
43 constructing cells within a landfill or solid waste disposal facility may
44 be deemed prime contracting under this section.

1 ~~M.~~ N. The following apply in determining the taxable situs of
2 sales of manufactured buildings:

3 1. For sales in this state where the manufactured building dealer
4 contracts to deliver the building to a setup site or to perform the setup
5 in this state, the taxable situs is the setup site.

6 2. For sales in this state where the manufactured building dealer
7 does not contract to deliver the building to a setup site or does not
8 perform the setup, the taxable situs is the location of the dealership
9 where the building is delivered to the buyer.

10 3. For sales in this state where the manufactured building dealer
11 contracts to deliver the building to a setup site that is outside this
12 state, the situs is outside this state and the transaction is excluded
13 from tax.

14 ~~N.~~ O. The gross proceeds of sales or gross income attributable to
15 a written contract for design phase services or professional services,
16 executed before modification begins and with terms, conditions and pricing
17 of all of these services separately stated in the contract from those for
18 construction phase services, is not subject to tax under this section,
19 regardless of whether the services are provided sequential to or
20 concurrent with prime contracting activities that are subject to tax under
21 this section. This subsection does not include the gross proceeds of
22 sales or gross income attributable to construction phase services. For
23 the purposes of this subsection:

24 1. "Construction phase services" means services for the execution
25 and completion of any modification, including the following:

26 (a) Administration or supervision of any modification performed on
27 the project, including team management and coordination, scheduling, cost
28 controls, submittal process management, field management, safety program,
29 close-out process and warranty period services.

30 (b) Administration or supervision of any modification performed
31 pursuant to a punch list. For the purposes of this subdivision, "punch
32 list" means minor items of modification work performed after substantial
33 completion and before final completion of the project.

34 (c) Administration or supervision of any modification performed
35 pursuant to change orders. For the purposes of this subdivision, "change
36 order" means a written instrument issued after execution of a contract for
37 modification work, providing for all of the following:

38 (i) The scope of a change in the modification work, contract for
39 modification work or other contract documents.

40 (ii) The amount of an adjustment, if any, to the guaranteed maximum
41 price as set in the contract for modification work. For the purposes of
42 this item, "guaranteed maximum price" means the amount guaranteed to be
43 the maximum amount due to a prime contractor for the performance of all
44 modification work for the project.

45 (iii) The extent of an adjustment, if any, to the contract time of
46 performance set forth in the contract.

1 (d) Administration or supervision of any modification performed
2 pursuant to change directives. For the purposes of this subdivision,
3 "change directive" means a written order directing a change in
4 modification work before agreement on an adjustment of the guaranteed
5 maximum price or contract time.

6 (e) Inspection to determine the dates of substantial completion or
7 final completion.

8 (f) Preparation of any manuals, warranties, as-built drawings,
9 spares or other items the prime contractor must furnish pursuant to the
10 contract for modification work. For the purposes of this subdivision,
11 "as-built drawing" means a drawing that indicates field changes made to
12 adapt to field conditions, field changes resulting from change orders or
13 buried and concealed installation of piping, conduit and utility services.

14 (g) Preparation of status reports after modification work has begun
15 detailing the progress of work performed, including preparation of any of
16 the following:

17 (i) Master schedule updates.

18 (ii) Modification work cash flow projection updates.

19 (iii) Site reports made on a periodic basis.

20 (iv) Identification of discrepancies, conflicts or ambiguities in
21 modification work documents that require resolution.

22 (v) Identification of any health and safety issues that have arisen
23 in connection with the modification work.

24 (h) Preparation of daily logs of modification work, including
25 documentation of personnel, weather conditions and on-site occurrences.

26 (i) Preparation of any submittals or shop drawings used by the
27 prime contractor to illustrate details of the modification work performed.

28 (j) Administration or supervision of any other activities for which
29 a prime contractor receives a certificate for payment or certificate for
30 final payment based on the progress of modification work performed on the
31 project.

32 2. "Design phase services" means services for developing and
33 completing a design for a project that are not construction phase
34 services, including the following:

35 (a) Evaluating surveys, reports, test results or any other
36 information on-site conditions for the project, including physical
37 characteristics, legal limitations and utility locations for the site.

38 (b) Evaluating any criteria or programming objectives for the
39 project to ascertain requirements for the project, such as physical
40 requirements affecting cost or projected utilization of the project.

41 (c) Preparing drawings and specifications for architectural program
42 documents, schematic design documents, design development documents,
43 modification work documents or documents that identify the scope of or
44 materials for the project.

1 (d) Preparing an initial schedule for the project, excluding the
2 preparation of updates to the master schedule after modification work has
3 begun.

4 (e) Preparing preliminary estimates of costs of modification work
5 before completion of the final design of the project, including an
6 estimate or schedule of values for any of the following:

7 (i) Labor, materials, machinery and equipment, tools, water, heat,
8 utilities, transportation and other facilities and services used in the
9 execution and completion of modification work, regardless of whether they
10 are temporary or permanent or whether they are incorporated in the
11 modifications.

12 (ii) The cost of labor and materials to be furnished by the owner
13 of the real property.

14 (iii) The cost of any equipment of the owner of the real property
15 to be assigned by the owner to the prime contractor.

16 (iv) The cost of any labor for installation of equipment separately
17 provided by the owner of the real property that has been designed,
18 specified, selected or specifically provided for in any design document
19 for the project.

20 (v) Any fee paid by the owner of the real property to the prime
21 contractor pursuant to the contract for modification work.

22 (vi) Any bond and insurance premiums.

23 (vii) Any applicable taxes.

24 (viii) Any contingency fees for the prime contractor that may be
25 used before final completion of the project.

26 (f) Reviewing and evaluating cost estimates and project documents
27 to prepare recommendations on site use, site improvements, selection of
28 materials, building systems and equipment, modification feasibility,
29 availability of materials and labor, local modification activity as
30 related to schedules and time requirements for modification work.

31 (g) Preparing the plan and procedures for selection of
32 subcontractors, including any prequalification of subcontractor
33 candidates.

34 3. "Professional services" means architect services, engineer
35 services, geologist services, land surveying services or landscape
36 architect services that are within the scope of those services as provided
37 in title 32, chapter 1 and for which gross proceeds of sales or gross
38 income has not otherwise been deducted under subsection ~~L~~ L of this
39 section.

40 ~~P~~ P. The gross proceeds of sales or gross income derived from a
41 contract with the owner of real property or improvements to real property
42 for the maintenance, repair, replacement or alteration of existing
43 property is not subject to tax under this section if the contract does not
44 include modification activities, except as specified in this subsection.
45 The gross proceeds of sales or gross income derived from a de minimis
46 amount of modification activity does not subject the contract or any part

1 of the contract to tax under this section. For the purposes of this
2 subsection:

3 1. Tangible personal property that is incorporated or fabricated
4 into a project described in this subsection may be subject to the amount
5 prescribed in section 42-5008.01.

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

15 ~~P~~. Q. Notwithstanding subsection ~~Q~~ P of this section, a contract
16 that primarily involves surface or subsurface improvements to land and
17 that is subject to title 28, chapter 19, 20 or 22 or title 34, chapter 2
18 or 6 is taxable under this section, even if the contract also includes
19 vertical improvements. Agencies that are subject to procurement processes
20 under those provisions shall include in the request for proposals a notice
21 to bidders when those projects are subject to this section. This
22 subsection does not apply to contracts with:

23 1. Community facilities districts, fire districts, county
24 television improvement districts, community park maintenance districts,
25 cotton pest control districts, hospital districts, pest abatement
26 districts, health service districts, agricultural improvement districts,
27 county free library districts, county jail districts, county stadium
28 districts, special health care districts, public health services
29 districts, theme park districts or revitalization districts.

30 2. Any special taxing district not specified in paragraph 1 of this
31 subsection if the district does not substantially engage in the
32 modification, maintenance, repair, replacement or alteration of surface or
33 subsurface improvements to land.

34 ~~Q~~. R. Notwithstanding subsection ~~R~~ S, paragraph 10 of this
35 section, a person owning real property who enters into a contract for sale
36 of the real property, who is responsible to the new owner of the property
37 for modifications made to the property in the period subsequent to the
38 transfer of title and who receives a consideration for the modifications
39 is considered a prime contractor solely for purposes of taxing the gross
40 proceeds of sale or gross income received for the modifications made
41 subsequent to the transfer of title. The original owner's gross proceeds
42 of sale or gross income received for the modifications shall be determined
43 according to the following methodology:

44 1. If any part of the contract for sale of the property specifies
45 amounts to be paid to the original owner for the modifications to be made
46 in the period subsequent to the transfer of title, the amounts are

1 included in the original owner's gross proceeds of sale or gross income
2 under this section. Proceeds from the sale of the property that are
3 received after transfer of title and that are unrelated to the
4 modifications made subsequent to the transfer of title are not considered
5 gross proceeds of sale or gross income from the modifications.

6 2. If the original owner enters into an agreement separate from the
7 contract for sale of the real property providing for amounts to be paid to
8 the original owner for the modifications to be made in the period
9 subsequent to the transfer of title to the property, the amounts are
10 included in the original owner's gross proceeds of sale or gross income
11 received for the modifications made subsequent to the transfer of title.

12 3. If the original owner is responsible to the new owner for
13 modifications made to the property in the period subsequent to the
14 transfer of title and derives any gross proceeds of sale or gross income
15 from the project subsequent to the transfer of title other than a delayed
16 disbursement from escrow unrelated to the modifications, it is presumed
17 that the amounts are received for the modifications made subsequent to the
18 transfer of title unless the contrary is established by the owner through
19 its books, records and papers kept in the regular course of business.

20 4. The tax base of the original owner is computed in the same
21 manner as a prime contractor under this section.

22 ~~R.~~ S. For the purposes of this section:

23 1. "Alteration" means an activity or action that causes a direct
24 physical change to existing property. For the purposes of this paragraph:

25 (a) For existing property that is properly classified as class two
26 property under section 42-12002, paragraph 1, subdivision (c) or paragraph
27 2, subdivision (c) and that is used for residential purposes, class three
28 property under section 42-12003 or class four property under section
29 42-12004, this paragraph does not apply if the contract amount is more
30 than twenty-five percent of the most recent full cash value established
31 under chapter 13, article 2 of this title as of the date of any bid for
32 the work or the date of the contract, whichever value is higher.

33 (b) For all existing property other than existing property
34 described in subdivision (a) of this paragraph, this paragraph does not
35 apply if the contract amount is more than \$750,000.

36 (c) Project elements may not be artificially separated from a
37 contract to cause a project to qualify as an alteration. The department
38 has the burden of proof that project elements have been artificially
39 separated from a contract.

40 (d) If a project for which the owner and the person performing the
41 work reasonably believed, at the inception of the contract, would be
42 treated as an alteration under this paragraph and, on completion of the
43 project, the project exceeded the applicable threshold described in either
44 subdivision (a) or (b) of this paragraph by not more than twenty-five
45 percent of the applicable threshold for any reason, the work performed
46 under the contract qualifies as an alteration.

1 (e) A change order that directly relates to the scope of work of
2 the original contract shall be treated as part of the original contract,
3 and the contract amount shall include any amount attributable to a change
4 order that directly relates to the scope of work of the original contract.

5 (f) Alteration does not include maintenance, repair or replacement.

6 2. "Contracting" means engaging in business as a contractor.

7 3. "Contractor" is synonymous with the term "builder" and means any
8 person or organization that undertakes to or offers to undertake to, or
9 purports to have the capacity to undertake to, or submits a bid to, or
10 does personally or by or through others, modify any building, highway,
11 road, railroad, excavation, manufactured building or other structure,
12 project, development or improvement, or to do any part of such a project,
13 including the erection of scaffolding or other structure or works in
14 connection with such a project, and includes subcontractors and specialty
15 contractors. For all purposes of taxation or deduction, this definition
16 shall govern without regard to whether or not such a contractor is acting
17 in fulfillment of a contract.

18 4. "Manufactured building" means a manufactured home, mobile home
19 or factory-built building, as defined in section 41-4001.

20 5. "Manufactured building dealer" means a dealer who either:

21 (a) Is licensed pursuant to title 41, chapter 37, article 4 and who
22 sells manufactured buildings to the final consumer.

23 (b) Supervises, performs or coordinates the excavation and
24 completion of site improvements or the setup of a manufactured building,
25 including the contracting, if any, with any subcontractor or specialty
26 contractor for the completion of the contract.

27 6. "Modification" means construction, grading and leveling ground,
28 wreckage or demolition. Modification does not include:

29 (a) Any project described in subsection ~~⊖~~ P of this section.

30 (b) Any wreckage or demolition of existing property, or any other
31 activity that is a necessary component of a project described in
32 subsection ~~⊖~~ P of this section.

33 (c) Any mobilization or demobilization related to a project
34 described in subsection ~~⊖~~ P of this section, such as the erection or
35 removal of temporary facilities to be used by those persons working on the
36 project.

37 7. "Modify" means to make a modification or cause a modification to
38 be made.

39 8. "Owner" means the person that holds title to the real property
40 or improvements to real property that is the subject of the work, as well
41 as an agent of the title holder and any person with the authority to
42 perform or authorize work on the real property or improvements, including
43 a tenant and a property manager. For the purposes of subsection ~~⊖~~ P of
44 this section, a person who is hired by a general contractor that is hired
45 by an owner, or a subcontractor of a general contractor that is hired by
46 an owner, is considered to be hired by the owner.

1 9. "Prime contracting" means engaging in business as a prime
2 contractor.

3 10. "Prime contractor" means a contractor who supervises, performs
4 or coordinates the modification of any building, highway, road, railroad,
5 excavation, manufactured building or other structure, project, development
6 or improvement, including the contracting, if any, with any subcontractors
7 or specialty contractors and who is responsible for the completion of the
8 contract. Except as provided in subsections E and ~~R~~ R of this section, a
9 person who owns real property, who engages one or more contractors to
10 modify that real property and who does not itself modify that real
11 property is not a prime contractor within the meaning of this paragraph
12 regardless of the existence of a contract for sale or the subsequent sale
13 of that real property.

14 11. "Replacement" means the removal from service of one component
15 or system of existing property or tangible personal property installed in
16 existing property, including machinery or equipment, and the installation
17 of a new component or system or new tangible personal property, including
18 machinery or equipment, that provides the same, a similar or an upgraded
19 design or functionality, regardless of the contract amount and regardless
20 of whether the existing component or system or existing tangible personal
21 property is physically removed from the existing property.

22 12. "Sale of a used manufactured building" does not include a lease
23 of a used manufactured building.

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

26 42-5159. Exemptions

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

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

33 2. Tangible personal property, the sale or use of which has already
34 been subjected to an excise tax at a rate equal to or exceeding the tax
35 imposed by this article under the laws of another state of the United
36 States. If the excise tax imposed by the other state is at a rate less
37 than the tax imposed by this article, the tax imposed by this article is
38 reduced by the amount of the tax already imposed by the other state.

39 3. Tangible personal property, the storage, use or consumption of
40 which the constitution or laws of the United States prohibit this state
41 from taxing or to the extent that the rate or imposition of tax is
42 unconstitutional under the laws of the United States.

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

1 5. Motor vehicle fuel and use fuel, the sales, distribution or use
2 of which in this state is subject to the tax imposed under title 28,
3 chapter 16, article 1, use fuel that is sold to or used by a person
4 holding a valid single trip use fuel tax permit issued under
5 section 28-5739, aviation fuel, the sales, distribution or use of which in
6 this state is subject to the tax imposed under section 28-8344, and jet
7 fuel, the sales, distribution or use of which in this state is subject to
8 the tax imposed under article 8 of this chapter.

9 6. Tangible personal property brought into this state by an
10 individual who was a nonresident at the time the property was purchased
11 for storage, use or consumption by the individual if the first actual use
12 or consumption of the property was outside this state, unless the property
13 is used in conducting a business in this state.

14 7. Purchases of implants used as growth promotants and injectable
15 medicines, not already exempt under paragraph 16 of this subsection, for
16 livestock and poultry owned by, or in possession of, persons who are
17 engaged in producing livestock, poultry, or livestock or poultry products,
18 or who are engaged in feeding livestock or poultry commercially. For the
19 purposes of this paragraph, "poultry" includes ratites.

20 8. Purchases of:

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

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

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

31 (a) Includes seeds, seedlings, roots, bulbs, liners, transplants,
32 cuttings, soil and plant additives, agricultural minerals, auxiliary soil
33 and plant substances, micronutrients, fertilizers, insecticides,
34 herbicides, fungicides, soil fumigants, desiccants, rodenticides,
35 adjuvants, plant nutrients and plant growth regulators.

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

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

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

1 12. Materials that are purchased by or for publicly funded
2 libraries, including school district libraries, charter school libraries,
3 community college libraries, state university libraries or federal, state,
4 county or municipal libraries, for use by the public as follows:

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

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

7 13. Tangible personal property purchased by:

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

11 (b) A hospital operated by this state or a political subdivision of
12 this state.

13 (c) A licensed nursing care institution or a licensed residential
14 care institution or a residential care facility operated in conjunction
15 with a licensed nursing care institution or a licensed kidney dialysis
16 center, which provides medical services, nursing services or health
17 related services and is not used or held for profit.

18 (d) A qualifying health care organization, as defined in section
19 42-5001, if the tangible personal property is used by the organization
20 solely to provide health and medical related educational and charitable
21 services.

22 (e) A qualifying health care organization as defined in section
23 42-5001 if the organization is dedicated to providing educational,
24 therapeutic, rehabilitative and family medical education training for
25 blind and visually impaired children and children with multiple
26 disabilities from the time of birth to age twenty-one.

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

32 (g) A person that is subject to tax under this chapter by reason of
33 being engaged in business classified under section 42-5075, or a
34 subcontractor working under the control of a person that is engaged in
35 business classified under section 42-5075, if the tangible personal
36 property is any of the following:

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

39 (ii) Incorporated or fabricated by the person into any project
40 described in section 42-5075, subsection ~~Q~~ P.

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

43 (h) A person that is not subject to tax under section 42-5075 and
44 that has been provided a copy of a certificate described in section
45 42-5009, subsection L, if the property purchased is incorporated or

1 fabricated by the person into the real property, structure, project,
2 development or improvement described in the certificate.

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

7 (j) A qualifying community health center as defined in section
8 42-5001.

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

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

17 (m) For taxable periods beginning from and after June 30, 2001, a
18 nonprofit charitable organization that has qualified under section
19 501(c)(3) of the internal revenue code and that provides residential
20 apartment housing for low-income persons over sixty-two years of age in a
21 facility that qualifies for a federal housing subsidy, if the tangible
22 personal property is used by the organization solely to provide
23 residential apartment housing for low-income persons over sixty-two years
24 of age in a facility that qualifies for a federal housing subsidy.

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

27 (o) A person representing or working on behalf of any person
28 described in subdivision (a), (b), (c), (d), (e), (f), (i), (j), (k), (m)
29 or (n) of this paragraph, if the tangible personal property is
30 incorporated or fabricated into a project described in section 42-5075,
31 subsection ~~o~~ P.

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

37 15. Tangible personal property sold by:

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

41 (b) A nonprofit organization that is exempt from taxation under
42 section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if
43 the organization is associated with a major league baseball team or a
44 national touring professional golfing association and no part of the
45 organization's net earnings inures to the benefit of any private
46 shareholder or individual. This subdivision does not apply to an

1 organization that is owned, managed or controlled, in whole or in part, by
2 a major league baseball team, or its owners, officers, employees or
3 agents, or by a major league baseball association or professional golfing
4 association, or its owners, officers, employees or agents, unless the
5 organization conducted or operated exhibition events in this state before
6 January 1, 2018 that were exempt from transaction privilege tax under
7 section 42-5073.

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

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

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

22 18. Prescription eyeglasses and contact lenses.

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

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

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

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

34 23. Items purchased with United States department of agriculture
35 coupons issued under the supplemental nutrition assistance program
36 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;
37 7 United States Code sections 2011 through 2036b) by the United States
38 department of agriculture food and nutrition service or food instruments
39 issued under section 17 of the child nutrition act (P.L. 95-627; 92 Stat.
40 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States Code
41 section 1786).

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

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

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

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

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

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

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

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

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

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

33 (b) Public educational institutions.

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

37 33. Natural gas or liquefied petroleum gas used to propel a motor
38 vehicle.

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

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

14 36. Food, drink and condiment purchased for consumption within the
15 premises of any prison, jail or other institution under the jurisdiction
16 of the state department of corrections, the department of public safety,
17 the department of juvenile corrections or a county sheriff.

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

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

26 39. Overhead materials or other tangible personal property that is
27 used in performing a contract between the United States government and a
28 manufacturer, modifier, assembler or repairer, including property used in
29 performing a subcontract with a government contractor who is a
30 manufacturer, modifier, assembler or repairer, to which title passes to
31 the government under the terms of the contract or subcontract. For the
32 purposes of this paragraph:

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

40 (b) "Subcontract" means an agreement between a contractor and any
41 person who is not an employee of the contractor for furnishing of supplies
42 or services that, in whole or in part, are necessary to perform one or
43 more 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
46 materials or other tangible personal property used in performing the

1 subcontract to pass to the government or that includes provisions
2 incorporating such title passing clauses in a government contract into the
3 subcontract.

4 40. Through December 31, 1994, tangible personal property sold
5 pursuant to a personal property liquidation transaction, as defined in
6 section 42-5061. From and after December 31, 1994, tangible personal
7 property sold pursuant to a personal property liquidation transaction, as
8 defined in section 42-5061, if the gross proceeds of the sales were
9 included in the measure of the tax imposed by article 1 of this chapter or
10 if the personal property liquidation was a casual activity or transaction.

11 41. Wireless telecommunications equipment that is held for sale or
12 transfer to a customer as an inducement to enter into or continue a
13 contract for telecommunications services that are taxable under section
14 42-5064.

15 42. Alternative fuel, as defined in section 1-215, purchased by a
16 used oil fuel burner who has received a permit to burn used oil or used
17 oil fuel under section 49-426 or 49-480.

18 43. Tangible personal property purchased by a commercial airline
19 and consisting of food, beverages and condiments and accessories used for
20 serving the food and beverages, if those items are to be provided without
21 additional charge to passengers for consumption in flight. For the
22 purposes of this paragraph, "commercial airline" means a person holding a
23 federal certificate of public convenience and necessity or foreign air
24 carrier permit for air transportation to transport persons, property or
25 United States mail in intrastate, interstate or foreign commerce.

26 44. Alternative fuel vehicles if the vehicle was manufactured as a
27 diesel fuel vehicle and converted to operate on alternative fuel and
28 equipment that is installed in a conventional diesel fuel motor vehicle to
29 convert the vehicle to operate on an alternative fuel, as defined in
30 section 1-215.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

40 (b) The title or possession of the coal is transferred back to the
41 owner or operator of the power plant after completion of the coal refining
42 process. For the purposes of this subdivision, "coal refining process"
43 means the application of a coal additive system that aids the reduction of
44 power plant emissions during the combustion of coal and the treatment of
45 flue gas.

1 55. Tangible personal property incorporated or fabricated into a
2 project described in section 42-5075, subsection ~~P~~ P that is located
3 within the exterior boundaries of an Indian reservation for which the
4 owner, as defined in section 42-5075, of the project is an Indian tribe or
5 an affiliated Indian. For the purposes of this paragraph:

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

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

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

18 56. Cash equivalents, precious metal bullion and monetized bullion
19 purchased by the ultimate consumer, but coins or other forms of money for
20 manufacture into jewelry or works of art are subject to tax, and tangible
21 personal property that is purchased through the redemption of any cash
22 equivalent by the holder as a means of payment for goods that are subject
23 to tax under this article is subject to tax. For the purposes of this
24 paragraph:

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

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

34 (ii) Prepaid calling cards for telecommunications services.

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

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

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

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

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

14 3. Tangible personal property sold to persons engaged in business
15 classified under the telecommunications classification under section
16 42-5064, including a person representing or working on behalf of such a
17 person in a manner described in section 42-5075, subsection ~~P~~ P, and
18 consisting of central office switching equipment, switchboards, private
19 branch exchange equipment, microwave radio equipment and carrier equipment
20 including optical fiber, coaxial cable and other transmission media that
21 are components of carrier systems.

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

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

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

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

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

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

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

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

7 (a) A person:

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

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

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

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

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

35 (b) Any foreign government.

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

43 9. Machinery, tools, equipment and related supplies used or
44 consumed directly in repairing, remodeling or maintaining aircraft,
45 aircraft engines or aircraft component parts by or on behalf of a
46 certificated or licensed carrier of persons or property.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

32 22. Qualifying equipment that is purchased from and after June 30,
33 2004 through December 31, 2026 by a qualified business under section
34 41-1516 for harvesting or processing qualifying forest products removed
35 from qualifying projects as defined in section 41-1516. To qualify for
36 this exemption, the qualified business must obtain and present its
37 certification from the Arizona commerce authority at the time of purchase.

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

1 24. 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
4 agent 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
8 tenant" have the same meanings prescribed in section 41-1519.

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

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
23 of 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 tangible personal property used by a
28 contractor in performing a contract.

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

31 1. Revenues received from sales of ancillary services, electric
32 distribution services, electric generation services, electric transmission
33 services and other services related to providing electricity to a retail
34 electric customer who is located outside this state for use outside this
35 state if the electricity is delivered to a point of sale outside this
36 state.

37 2. Revenues received from providing electricity, including
38 ancillary services, electric distribution services, electric generation
39 services, electric transmission services and other services related to
40 providing electricity with respect to which the transaction privilege tax
41 imposed under section 42-5063 has been paid.

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

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

3 1. Fees charged by a municipally owned utility to persons
4 constructing residential, commercial or industrial developments or
5 connecting residential, commercial or industrial developments to a
6 municipal utility system or systems if the fees are segregated and used
7 only for capital expansion, system enlargement or debt service of the
8 utility system or systems.

9 2. Reimbursement or contribution compensation to any person or
10 persons owning a utility system for property and equipment installed to
11 provide utility access to, on or across the land of an actual utility
12 consumer if the property and equipment become the property of the utility.
13 This deduction shall not exceed the value of such property and equipment.

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

16 1. A qualified manufacturing or smelting business. A utility that
17 claims this deduction shall report each month, on a form prescribed by the
18 department, the name and address of each qualified manufacturing or
19 smelting business for which this deduction is taken. This paragraph
20 applies to gas transportation services. For the purposes of this
21 paragraph:

22 (a) "Gas transportation services" means the services of
23 transporting natural gas to a natural gas customer or to a natural gas
24 distribution facility if the natural gas was purchased from a supplier
25 other than the utility.

26 (b) "Manufacturing" means the performance as a business of an
27 integrated series of operations that places tangible personal property in
28 a form, composition or character different from that in which it was
29 acquired and transforms it into a different product with a distinctive
30 name, character or use. Manufacturing does not include job printing,
31 publishing, packaging, mining, generating electricity or operating a
32 restaurant.

33 (c) "Qualified manufacturing or smelting business" means one of the
34 following:

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

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

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

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

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

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

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

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

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

21 1. "Agricultural aircraft" means an aircraft that is built for
22 agricultural use for the aerial application of pesticides or fertilizer or
23 for aerial seeding.

24 2. "Aircraft" includes:

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

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

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

34 J. For the purposes of subsection D of this section, "ancillary
35 services", "electric distribution service", "electric generation service",
36 "electric transmission service" and "other services" have the same
37 meanings prescribed in section 42-5063.

38 Sec. 12. Title 42, chapter 6, article 1, Arizona Revised Statutes,
39 is amended by adding section 42-6018, to read:

40 42-6018. Distribution of revenue for county stadium district
41 from city or town; notice

42 A. BEGINNING THE FIRST DAY OF THE MONTH FOLLOWING THE EFFECTIVE
43 DATE OF THIS SECTION AND EACH MONTH THEREAFTER THROUGH THE MONTH OF THE
44 NOTICE PROVIDED PURSUANT TO SECTION 48-4238 OR DECEMBER 31, 2055,
45 WHICHEVER IS [LATER] [EARLIER], A CITY OR TOWN SHALL TRANSMIT THE AMOUNT
46 DETERMINED UNDER SUBSECTION B OF THIS SECTION TO THE COUNTY STADIUM

1 DISTRICT ESTABLISHED PURSUANT TO TITLE 48, CHAPTER 26 FOR DEPOSIT IN THE
2 COUNTY STADIUM DISTRICT FUND ESTABLISHED PURSUANT TO SECTION 48-4231. THE
3 DEPARTMENT SHALL NOTIFY THE CITY OR TOWN OF THE AMOUNT DETERMINED PURSUANT
4 TO SUBSECTION B OF THIS SECTION EACH MONTH, AND THE CITY OR TOWN SHALL
5 TRANSMIT THE MONIES WITHIN THIRTY DAYS OF RECEIVING THE NOTICE.

6 B. THE AMOUNT TO BE TRANSMITTED UNDER SUBSECTION A OF THIS SECTION
7 IS THE AMOUNT DETERMINED BY THE DEPARTMENT TO BE THE FIRST TWO PERCENT OF
8 THE RATE OF TRANSACTION PRIVILEGE, SALES, USE, FRANCHISE OR OTHER SIMILAR
9 TAX OR FEES COLLECTED ON BEHALF OF THE CITY OR TOWN FROM PERSONS ENGAGED
10 IN THE FOLLOWING BUSINESS ACTIVITIES AT, OR WITH RESPECT TO EVENTS HELD
11 AT, A MAJOR LEAGUE BASEBALL FACILITY OR AN ADJACENT BUILDING THAT IS OWNED
12 BY A COUNTY STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26 AND OPERATED
13 BY THE COUNTY STADIUM DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
14 ORGANIZATION THAT OCCUPIES THE FACILITY OR ADJACENT BUILDING:

15 1. SELLING TANGIBLE PERSONAL PROPERTY AT RETAIL.

16 2. OPERATING OR CONDUCTING THEATERS, MOVIES, OPERAS, SHOWS OF ANY
17 TYPE OR NATURE, EXHIBITIONS, CONCERTS, CARNIVALS, CIRCUSES, AMUSEMENT
18 PARKS, MENAGERIES, FAIRS, RACES, CONTESTS, GAMES, BILLIARD OR POOL
19 PARLORS, BOWLING ALLEYS, PUBLIC DANCES, DANCE HALLS, BOXING AND WRESTLING
20 MATCHES, SKATING RINKS, TENNIS COURTS, VIDEO GAMES, PINBALL MACHINES OR
21 SPORTS EVENTS OR ANY OTHER BUSINESS CHARGING ADMISSION OR USER FEES FOR
22 EXHIBITION, AMUSEMENT OR ENTERTAINMENT.

23 3. OPERATING A RESTAURANT, DINING CAR, DINING ROOM, LUNCHROOM,
24 MOBILE FOOD UNIT, LUNCH STAND, SODA FOUNTAIN, CATERING SERVICE OR SIMILAR
25 ESTABLISHMENT WHERE ARTICLES OF FOOD OR DRINK ARE SOLD FOR CONSUMPTION ON
26 OR OFF THE PREMISES.

27 4. PRIME CONTRACTING.

28 C. FOR THE PURPOSES OF THIS SECTION, BEGINNING THE FIRST DAY OF THE
29 MONTH FOLLOWING THE EFFECTIVE DATE OF THIS SECTION THROUGH THE MONTH OF
30 THE NOTICE PROVIDED PURSUANT TO SECTION 48-4238 OR DECEMBER 31, 2055,
31 WHICHEVER IS ~~[LATER]~~ [EARLIER], THE DEPARTMENT SHALL SEPARATELY ACCOUNT
32 FOR REVENUES COLLECTED FROM THE BUSINESSES PRESCRIBED IN SUBSECTION B OF
33 THIS SECTION ON THE PREMISES OF A MAJOR LEAGUE BASEBALL FACILITY OR AN
34 ADJACENT BUILDING THAT IS OWNED BY A COUNTY STADIUM DISTRICT PURSUANT TO
35 TITLE 48, CHAPTER 26 AND OPERATED BY THE COUNTY STADIUM DISTRICT OR THE
36 PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES THE FACILITY OR
37 ADJACENT BUILDING.

38 Sec. 13. Delayed repeal

39 Section 42-6018, Arizona Revised Statutes, as added by this act, is
40 repealed from and after December 31, 2055.

41 Sec. 14. Title 42, chapter 6, article 3, Arizona Revised Statutes,
42 is amended by adding section 42-6113, to read:

43 42-6113. Distribution of revenue for county stadium district
44 from county excise taxes

45 A. BEGINNING THE FIRST DAY OF THE MONTH FOLLOWING THE EFFECTIVE
46 DATE OF THIS SECTION AND EACH MONTH THEREAFTER THROUGH THE MONTH OF THE

1 NOTICE PROVIDED PURSUANT TO SECTION 48-4238 OR DECEMBER 31, 2055,
2 WHICHEVER IS [~~LATER~~] [EARLIER], [~~A COUNTY~~] [THE STATE TREASURER] SHALL
3 TRANSMIT FROM THE AMOUNT COLLECTED PURSUANT TO THIS ARTICLE THE AMOUNT
4 DETERMINED UNDER SUBSECTION B OF THIS SECTION TO THE COUNTY STADIUM
5 DISTRICT ESTABLISHED PURSUANT TO TITLE 48, CHAPTER 26 FOR DEPOSIT IN THE
6 COUNTY STADIUM DISTRICT FUND ESTABLISHED PURSUANT TO SECTION 48-4231.

7 B. THE AMOUNT TO BE TRANSMITTED UNDER SUBSECTION A OF THIS SECTION
8 IS THE TOTAL AMOUNT OF COUNTY EXCISE TAXES COLLECTED PURSUANT TO SECTION
9 42-6105.01 ON BEHALF OF THE COUNTY FROM PERSONS ENGAGED IN THE FOLLOWING
10 BUSINESS ACTIVITIES AT, OR WITH RESPECT TO EVENTS HELD AT, A MAJOR LEAGUE
11 BASEBALL FACILITY OR AN ADJACENT BUILDING THAT IS OWNED BY A COUNTY
12 STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26 AND OPERATED BY THE
13 COUNTY STADIUM DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
14 ORGANIZATION THAT OCCUPIES THE FACILITY OR ADJACENT BUILDING:

15 1. SELLING TANGIBLE PERSONAL PROPERTY AT RETAIL.

16 2. OPERATING OR CONDUCTING THEATERS, MOVIES, OPERAS, SHOWS OF ANY
17 TYPE OR NATURE, EXHIBITIONS, CONCERTS, CARNIVALS, CIRCUSES, AMUSEMENT
18 PARKS, MENAGERIES, FAIRS, RACES, CONTESTS, GAMES, BILLIARD OR POOL
19 PARLORS, BOWLING ALLEYS, PUBLIC DANCES, DANCE HALLS, BOXING AND WRESTLING
20 MATCHES, SKATING RINKS, TENNIS COURTS, VIDEO GAMES, PINBALL MACHINES OR
21 SPORTS EVENTS OR ANY OTHER BUSINESS CHARGING ADMISSION OR USER FEES FOR
22 EXHIBITION, AMUSEMENT OR ENTERTAINMENT.

23 3. OPERATING A RESTAURANT, DINING CAR, DINING ROOM, LUNCHROOM,
24 MOBILE FOOD UNIT, LUNCH STAND, SODA FOUNTAIN, CATERING SERVICE OR SIMILAR
25 ESTABLISHMENT WHERE ARTICLES OF FOOD OR DRINK ARE SOLD FOR CONSUMPTION ON
26 OR OFF THE PREMISES.

27 4. PRIME CONTRACTING.

28 C. FOR THE PURPOSES OF THIS SECTION, BEGINNING THE FIRST DAY OF THE
29 MONTH FOLLOWING THE EFFECTIVE DATE OF THIS SECTION THROUGH THE MONTH OF
30 THE NOTICE PROVIDED PURSUANT TO SECTION 48-4238 OR DECEMBER 31, 2055,
31 WHICHEVER IS [~~LATER~~] [EARLIER], THE DEPARTMENT SHALL SEPARATELY ACCOUNT
32 FOR REVENUES COLLECTED PURSUANT TO SECTION 42-6105.01 FROM THE BUSINESSES
33 PRESCRIBED IN SUBSECTION B OF THIS SECTION ON THE PREMISES OF A MAJOR
34 LEAGUE BASEBALL FACILITY OR AN ADJACENT BUILDING THAT IS OWNED BY A COUNTY
35 STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26 AND OPERATED BY THE
36 COUNTY STADIUM DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
37 ORGANIZATION THAT OCCUPIES THE FACILITY OR ADJACENT BUILDING.

38 Sec. 15. Delayed repeal

39 Section 42-6113, Arizona Revised Statutes, as added by this act, is
40 repealed from and after December 31, 2055.

41 Sec. 16. Section 43-206, Arizona Revised Statutes, is amended to
42 read:

43 43-206. Urban revenue sharing fund; allocation; distribution;
44 withholding

45 A. The urban revenue sharing fund is established. Through fiscal
46 year 2022-2023, the fund consists of an amount equal to fifteen percent of

1 the net proceeds of the state income taxes for the fiscal year two years
2 preceding the current fiscal year. Beginning in fiscal year 2023-2024,
3 the fund consists of an amount equal to eighteen percent of the net
4 proceeds of the state income taxes for the fiscal year two years preceding
5 the current fiscal year. The fund shall be distributed to incorporated
6 cities and towns as provided in this section, except that a city or town
7 shall receive at least an amount equal to what a city or town with a
8 population of fifteen hundred or more persons would receive. The transfer
9 of net proceeds prescribed by section 49-282, subsection B does not affect
10 the calculation of net proceeds prescribed by this subsection.

11 B. Each city or town shall share in the urban revenue sharing fund
12 in the proportion that the population of each bears to the population of
13 all. Except as provided by sections 42-5033 and 42-5033.01, the
14 population of a city or town as determined by the most recent United
15 States decennial census plus any revisions to the decennial census
16 certified by the United States CENSUS bureau ~~of the census~~ shall be used
17 as the basis for apportioning monies pursuant to this subsection.

18 C. The treasurer, on instruction from the department, shall
19 transmit, not later than the tenth day of each month, to each city or town
20 an amount equal to one-twelfth of that city's or town's total entitlement
21 for the current fiscal year from the urban revenue sharing fund as
22 determined by the department.

23 D. A newly incorporated city or town shall share in the urban
24 revenue sharing fund beginning the first month of the first full fiscal
25 year following incorporation.

26 E. On receipt of a certificate of default from the greater Arizona
27 development authority pursuant to section 41-2257 or 41-2258, the state
28 treasurer, to the extent not otherwise expressly prohibited by law, shall
29 withhold from the next succeeding distribution of monies pursuant to this
30 section due to the city or town the amount specified in the certificate of
31 default and immediately deposit the amount withheld in the greater Arizona
32 development authority revolving fund. The state treasurer shall continue
33 to withhold and deposit the monies until the authority certifies to the
34 state treasurer that the default has been cured. The state treasurer may
35 not withhold any amount that is necessary, as certified by the defaulting
36 political subdivision to the state treasurer and the authority, to make
37 any required deposits then due for the payment of principal and interest
38 on bonds of the political subdivision that were issued before the date of
39 the loan repayment agreement or bonds and that have been secured by a
40 pledge of distributions made pursuant to this section.

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

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

11 G. THE AMOUNT REPORTED TO THE DEPARTMENT PURSUANT TO SECTION
12 43-209, SUBSECTION D FOR A TAXABLE YEAR SHALL BE INCLUDED WHEN DETERMINING
13 THE NET PROCEEDS OF THE STATE INCOME TAXES FOR THE FISCAL YEAR FOR THE
14 PURPOSES OF THE DISTRIBUTION REQUIRED BY SUBSECTION A OF THIS SECTION.

15 Sec. 17. Section 43-209, Arizona Revised Statutes, is amended to
16 read:

17 43-209. Collection of tax on income of professional athletes
18 earned in this state; separate accounting for tax
19 revenue from professional football and baseball;
20 definitions

21 A. The department shall adopt and enforce rules for the collection
22 of tax under this title on the income earned for services rendered in this
23 state by professional athletes and employees of professional sport
24 franchise organizations.

25 B. On or before December 31 of each year each professional football
26 franchise organization AND PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION
27 that is domiciled in this state shall provide to the department the
28 federal taxpayer identification number, assigned pursuant to section 6109
29 of the internal revenue code, for each resident and nonresident employee
30 of the organization who rendered services in this state for the
31 organization during the calendar year. Unless due to reasonable cause and
32 not due to wilful neglect, a professional football franchise organization
33 OR PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION that fails to provide
34 taxpayer identification numbers pursuant to this subsection shall pay a
35 civil penalty of ~~five dollars~~ \$5 for each such number.

36 C. For purposes of section 42-1116, subsection C, on or before
37 March 31 of each year, the department shall separately account for and
38 report to the state treasurer as a single aggregate amount the total net
39 revenues collected during the preceding calendar year from the imposition
40 of tax under this title on the income from all sources of:

41 1. Any professional football franchise organization that is
42 domiciled in this state.

43 2. Resident and nonresident employees of any professional football
44 franchise organization that is domiciled in this state. For reporting
45 purposes under this subsection, the department shall include all income
46 reported on joint returns, regardless of the spouse to whom it is

1 attributable, and the income of an employee's spouse that is reported on a
2 separate return.

3 D. FOR THE PURPOSES OF SECTION 42-1116, SUBSECTION D, ON OR BEFORE
4 MARCH 31 OF EACH YEAR THROUGH THE DATE OF THE NOTICE PROVIDED PURSUANT TO
5 SECTION 48-4238 OR DECEMBER 31, 2056, WHICHEVER IS [LATER] [EARLIER], THE
6 DEPARTMENT SHALL SEPARATELY ACCOUNT FOR AND REPORT TO THE STATE TREASURER
7 AS A SINGLE AGGREGATE AMOUNT THE TOTAL NET REVENUES COLLECTED DURING THE
8 PRECEDING CALENDAR YEAR FROM THE IMPOSITION OF TAX UNDER THIS TITLE ON THE
9 INCOME FROM ALL SOURCES OF:

10 1. ANY PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT IS
11 DOMICILED IN THIS STATE.

12 2. RESIDENT AND NONRESIDENT EMPLOYEES OF ANY PROFESSIONAL BASEBALL
13 FRANCHISE ORGANIZATION THAT IS DOMICILED IN THIS STATE. FOR REPORTING
14 PURPOSES UNDER THIS SUBSECTION, THE DEPARTMENT SHALL INCLUDE ALL INCOME
15 REPORTED ON JOINT RETURNS, REGARDLESS OF THE SPOUSE TO WHOM IT IS
16 ATTRIBUTABLE, AND THE INCOME OF AN EMPLOYEE'S SPOUSE THAT IS REPORTED ON A
17 SEPARATE RETURN.

18 ~~D.~~ E. For THE purposes of this section: ~~,~~

19 1. "PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION" MEANS AN
20 ORGANIZATION THAT HAS THE RIGHT TO FIELD A TEAM FOR PARTICIPATION IN
21 PROFESSIONAL BASEBALL CONTESTS SCHEDULED BY A NATIONWIDE LEAGUE DURING A
22 REGULAR SEASON HELD IN THE MONTHS OF MARCH THROUGH OCTOBER EACH YEAR AND
23 THAT IS DOMICILED IN THIS STATE ON OR BEFORE THE EFFECTIVE DATE OF THIS
24 AMENDMENT TO THIS SECTION.

25 2. "Professional football franchise organization" means an
26 organization that has the right to field a team for participation in
27 professional football contests scheduled by a nationwide league during a
28 regular season held in the months of September through December each year.

29 Sec. 18. Section 48-4203, Arizona Revised Statutes, is amended to
30 read:

31 48-4203. Powers and duties of board of directors; report;
32 conflict of interest

33 A. The board of directors, on behalf of the district, may:

34 1. Adopt and use a corporate seal.

35 2. Sue and be sued.

36 3. Enter into contracts, including intergovernmental agreements
37 under title 11, chapter 7, article 3, as necessary to carry out the
38 purposes and requirements of this chapter. The district may contract with
39 a county sports authority established under title 11, chapter 5 to carry
40 out any power of the district.

41 4. Adopt administrative rules as necessary to administer and
42 operate the district and any property under its jurisdiction.

43 5. Adopt rules that allow weighted voting by board members and
44 establish conditions for terminating the district.

45 6. Employ an executive director and administrative and clerical
46 employees, or contract for other management personnel, and prescribe the

1 terms and conditions of their employment as necessary to carry out the
2 purposes of the district.

3 7. Acquire by any lawful means and operate, maintain, encumber and
4 dispose of real and personal property and interests in property. A
5 district established under section 48-4202, subsection A may acquire real
6 property by eminent domain. A district established under section 48-4202,
7 subsection B shall not acquire real property by eminent domain. A
8 district established under section 48-4202, subsection C shall not acquire
9 or own real property or interests in real property.

10 8. Administer trusts declared or established for the district,
11 receive and hold in trust or otherwise property located in or out of this
12 state and, if not otherwise provided, dispose of the property for the
13 benefit of the district.

14 9. Retain legal counsel and other consultants as necessary to carry
15 out the purposes of the district.

16 B. The board of directors, on behalf of a district established
17 pursuant to section 48-4202, subsection B, may:

18 1. Use revenues paid to the district pursuant to section 42-5031
19 and other revenues the district may receive from other sources, for the
20 purposes set forth in section 48-4204, subsection B.

21 2. Enter into agreements with developers, contractors, tenants and
22 other users of all or part of a multipurpose facility as determined
23 appropriate.

24 3. Pledge all or part of the revenues described in section 42-5031,
25 subsection B to secure the district's bonds or other financial obligations
26 issued or incurred under this chapter for the construction of all or part
27 of a multipurpose facility.

28 C. The board of directors of a district established pursuant to
29 section 48-4202, subsection B shall provide public outreach and education
30 on the purpose and activities of the district, including:

31 1. Presentations to the governing bodies of the municipalities in
32 the county in which the district is located.

33 2. Presentations to community, civic and business organizations.

34 3. Printed or electronic materials that support the purposes of
35 this subsection.

36 D. The board of directors shall:

37 1. Appoint from among its members a ~~chairman~~ CHAIRPERSON, a
38 secretary and such other officers as may be necessary to conduct its
39 business. The board of directors may appoint the chief financial officer
40 of the county as the district treasurer of a countywide district
41 established under section 48-4202, subsection A. If the board does not
42 appoint the chief financial officer, the county treasurer is designated ex
43 officio as the treasurer. The board of directors of a district that is
44 established pursuant to section 48-4202, subsection B shall designate a
45 member of the board with financial management or accounting experience or
46 a person with whom the board has contracted for financial management as

1 treasurer of the district. The county treasurer is designated ex officio
2 as the treasurer of a district that is established pursuant to section
3 48-4202, subsection C.

4 2. Keep and maintain a complete and accurate record of all its
5 proceedings. All proceedings and records of the board shall be open to
6 the public as required by title 38, chapter 3, article 3.1 and title 39,
7 chapter 1.

8 3. Provide for the use, maintenance and operation of the properties
9 and interests controlled by the district.

10 E. The board of directors of a district that is established
11 pursuant to section 48-4202, subsection B shall:

12 1. Determine by agreement the distribution of revenues from
13 operating and using the multipurpose facilities among the municipalities
14 and any participating Indian tribe or community.

15 2. Report to the legislature by October 1 of each year regarding
16 the activities, operations, revenues and expenditures of the district for
17 the immediately preceding fiscal year. The board shall submit the annual
18 report to the president of the senate and the speaker of the house of
19 representatives and provide a copy of the report to the secretary of
20 state. At the discretion of the chairpersons of the senate finance
21 committee and the house of representatives ways and means committee, or
22 their successor committees, the committees may hold separate or joint
23 hearings to consider the annual report prepared by the district.

24 3. Present to the joint legislative committee on capital review
25 each project for the construction or reconstruction of any facility,
26 structure, infrastructure or other improvement to real property of any
27 kind in an amount exceeding ~~five hundred thousand dollars~~ \$500,000.

28 F. ON OR BEFORE NOVEMBER 1 OF EACH YEAR THROUGH 2055, THE BOARD OF
29 DIRECTORS OF A DISTRICT THAT IS ESTABLISHED PURSUANT TO SECTION 48-4202,
30 SUBSECTION A SHALL REPORT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE AND
31 THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING REGARDING ALL
32 NEW PROJECTS FOR RECONSTRUCTING, EQUIPPING, REPAIRING, MAINTAINING OR
33 IMPROVING A MAJOR LEAGUE BASEBALL FACILITY OR ADJACENT BUILDINGS THAT ARE
34 PAID FOR BY THE DISTRICT FROM THE COUNTY STADIUM DISTRICT FUND ESTABLISHED
35 PURSUANT TO SECTION 48-4231. THE REPORT SHALL INDICATE WHICH PROJECTS THE
36 PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION CONTRIBUTED MONIES TOWARD AND
37 THE AMOUNT OF THE CONTRIBUTION.

38 ~~F.~~ G. The directors, officers and employees of the district are
39 subject to title 38, chapter 3, article 8 relating to conflicts of
40 interest.

41 ~~G.~~ H. This state and political subdivisions of this state other
42 than the district are not liable for any financial or other obligations of
43 the district and the financial or other obligations do not constitute a
44 debt or liability of this state or any political subdivision of this
45 state, other than the district.

1 <<Sec. 19. Title 48, chapter 26, article 1, Arizona Revised
2 Statutes, is amended by adding section 48-4206, to read:

3 <48-4206. Major league baseball facility; repair projects
4 [FOR A DISTRICT ESTABLISHED PURSUANT TO SECTION 48-4202, SUBSECTION
5 A, THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES THE
6 MAJOR LEAGUE BASEBALL FACILITY OWNED BY THE DISTRICT IS RESPONSIBLE FOR
7 FACILITATING AND MANAGING ALL PROJECTS FOR THE REPAIR OF THE FACILITY.]>>

8 Sec. 20. Section 48-4231, Arizona Revised Statutes, is amended to
9 read:

10 48-4231. County stadium district fund

11 A. The district treasurer shall maintain a county stadium district
12 fund consisting of all monies received by the district, including:

13 1. Payments received from leasing, subleasing or renting property
14 owned, leased or controlled by the district.

15 2. Revenues received by the district from admissions and
16 concessions and other proceeds from events held at a stadium owned or
17 leased by the district.

18 3. Monies received from issuing and selling bonds under article 3
19 of this chapter.

20 4. MONIES TRANSMITTED PURSUANT TO SECTION 42-1116, SUBSECTION D AND
21 SECTIONS 42-5032.03, 42-6018 AND 42-6113. ANY INDIVIDUAL, INCLUDING AN
22 EMPLOYEE OF A PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION, IS SUBJECT TO
23 TITLE 38, CHAPTER 3, ARTICLE 8 RELATING TO CONFLICTS OF INTEREST FOR THE
24 PURPOSES OF SPENDING THE MONIES DESCRIBED IN THIS PARAGRAPH.

25 ~~4.~~ 5. Interest and other income received from investing monies in
26 the fund.

27 ~~5.~~ 6. Gifts, grants and donations received for that purpose from
28 any public or private source.

29 B. Monies in the fund may be used for any lawful purpose of the
30 district, INCLUDING RECONSTRUCTING, EQUIPPING, REPAIRING, MAINTAINING OR
31 IMPROVING A MAJOR LEAGUE BASEBALL FACILITY OR THE ADJACENT BUILDINGS THAT
32 ARE OWNED BY THE DISTRICT AND OPERATED BY THE DISTRICT OR THE PROFESSIONAL
33 BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES THE FACILITY OR ADJACENT
34 BUILDINGS.

35 C. The district treasurer may invest any unexpended monies in the
36 fund as provided in title 35, chapter 2. Notwithstanding section 35-323,
37 the district treasurer may invest and reinvest monies in the fund, other
38 than operating fund monies, in eligible investments with a maturity of
39 greater than five years. Interest and other income from investments shall
40 be credited to the fund. The district treasurer shall invest the monies
41 so as to mature at the times when the fund assets will be required for the
42 purposes of this article. If the liquid assets in the fund become
43 insufficient to meet the district's obligations, the board of directors
44 shall direct the district treasurer to liquidate sufficient securities to
45 meet all of the current obligations and immediately notify the auditor
46 general of the insufficiency, and the auditor general shall investigate

1 and audit the circumstances surrounding the depletion of the fund and
2 report the auditor general's findings to the board.

3 D. Except as provided by section 48-4231.01, the board of directors
4 shall cause an annual audit to be conducted of the fund by an independent
5 certified public accountant within one hundred twenty days after the end
6 of the fiscal year. The board shall immediately file a certified copy of
7 the audit with the auditor general. The auditor general may make such
8 further audits and examinations as the auditor general deems necessary,
9 but if the auditor general takes no official action within thirty days
10 after the audit is filed, the audit is deemed sufficient. The board of
11 directors shall pay all fees and costs of the certified public accountant
12 and auditor general under this subsection from the fund.

13 Sec. 21. Title 48, chapter 26, article 2, Arizona Revised Statutes,
14 is amended by adding ~~[section]~~ ~~[sections]~~ 48-4238 ~~[and 48-4239]~~, to read:

15 48-4238. Notice; penalty; revenue return; deposit and
16 distribution of penalty

17 A. IF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT
18 OCCUPIES THE MAJOR LEAGUE BASEBALL FACILITY OWNED BY THE DISTRICT AND
19 OPERATED BY THE DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
20 ORGANIZATION ON OR BEFORE THE EFFECTIVE DATE OF THIS SECTION LEAVES THE
21 FACILITY, THE DISTRICT TREASURER SHALL:

22 1. NOTIFY THE STATE TREASURER AND THE DEPARTMENT OF REVENUE THAT
23 THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES THE MAJOR
24 LEAGUE BASEBALL FACILITY OWNED BY THE DISTRICT AND OPERATED BY THE
25 DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION LEFT THE
26 FACILITY~~[_]~~ ON RECEIVING THE NOTICE:

27 (a) THE STATE TREASURER MAY NOT CONTINUE TO TRANSMIT MONIES
28 PURSUANT TO SECTION 42-1116, SUBSECTION D AND SECTIONS 42-5032.03, 42-6018
29 AND ~~[42-6133]~~ ~~[42-6113]~~.

30 (b) THE STATE TREASURER SHALL ASSESS A PENALTY AGAINST THE
31 PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION IN THE FOLLOWING AMOUNTS:

32 (i) \$10,000,000 IF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION
33 LEAVES THE FACILITY ON OR BEFORE OCTOBER 1, 2035.

34 (ii) \$5,000,000 IF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION
35 LEAVES THE FACILITY ON OR BEFORE OCTOBER 1, 2045.

36 (iii) \$1,000,000 IF THE PROFESSIONAL BASEBALL FRANCHISE
37 ORGANIZATION LEAVES THE FACILITY ON OR BEFORE OCTOBER 1, 2050.

38 (c) THE DEPARTMENT OF REVENUE SHALL STOP SEPARATELY ACCOUNTING FOR
39 THE REVENUES THAT WERE SUBJECT TO TRANSMISSION.

40 2. RETURN ANY REMAINING MONIES TRANSMITTED PURSUANT TO SECTION
41 42-1116, SUBSECTION D AND SECTIONS 42-5032.03, 42-6018 AND 42-6113 THAT
42 ARE UNEXPENDED AND UNENCUMBERED TO THE TAXING JURISDICTION FROM WHICH THE
43 MONIES WERE GENERATED.

44 B. THE STATE TREASURER SHALL DEPOSIT, PURSUANT TO SECTIONS 35-146
45 AND 35-147, FIFTY PERCENT OF THE PENALTY ASSESSED PURSUANT TO SUBSECTION
46 A, PARAGRAPH 1, SUBDIVISION (b) OF THIS SECTION IN THE STATE GENERAL FUND

1 AND DISTRIBUTE TWENTY-FIVE PERCENT OF THE PENALTY TO THE COUNTY IN WHICH
2 THE FACILITY IS LOCATED AND TWENTY-FIVE PERCENT OF THE PENALTY TO THE CITY
3 [OR TOWN] IN WHICH THE FACILITY IS LOCATED.

4 48-4239. Prohibition on public funding

5 [A DISTRICT ESTABLISHED PURSUANT TO SECTION 48-4202, SUBSECTION A
6 THAT RECEIVES MONIES TRANSMITTED PURSUANT TO SECTION 42-1116, SUBSECTION D
7 AND SECTIONS 42-5032.03, 42-6018 AND 42-6113 MAY NOT RECEIVE ANY PUBLIC
8 FUNDING FROM AND AFTER DECEMBER 31, 2055.]

9 Sec. 22. Delayed repeal

10 Section 48-4238, as added by this act, is repealed from and after
11 December 31, 2055.

12 Sec. 23. Legislative findings

13 The legislature finds that the professional baseball franchise
14 organization that occupies the major league baseball facility and adjacent
15 buildings that are owned by the county stadium district pursuant to title
16 48, chapter 26, Arizona Revised Statutes, and operated by the district or
17 the professional baseball franchise organization will contribute at least
18 \$250,000,000 of the professional baseball franchise organization's own
19 monies for the purposes of reconstructing, equipping, repairing,
20 maintaining or improving the major league baseball facility and the
21 adjacent buildings.

22 Enroll and engross to conform

23 Amend title to conform

DENISE "MITZI" EPSTEIN

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C: ED