

PROPOSED
HOUSE OF REPRESENTATIVES 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, THE STATE TREASURER SHALL TRANSMIT TO THE COUNTY STADIUM DISTRICT
37 ESTABLISHED PURSUANT TO TITLE 48, CHAPTER 26 FOR DEPOSIT IN THE COUNTY
38 STADIUM DISTRICT FUND ESTABLISHED PURSUANT TO SECTION 48-4231 THE AMOUNT
39 REPORTED BY THE DEPARTMENT PURSUANT TO SECTION 43-209, SUBSECTION D FOR
40 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

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

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

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

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

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

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

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

42 1. If the tangible personal property is incorporated or fabricated
43 into a project described in section 42-5075, subsection ~~⊖~~ P, or otherwise
44 used or consumed by the person, the amount of liability shall be
45 calculated and reported based on the person's purchase price of the

1 tangible personal property, the location of the project, use or
2 consumption and the taxes imposed under this chapter and chapter 6 of this
3 title.

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

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

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

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

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

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

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

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

1 amount of tax liability assessed under this chapter and chapter 6 of this
2 title.

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

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

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

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

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

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

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

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

1 seller in order to designate the distribution base for purposes of section
2 42-5029.

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

15 F. The department may prescribe a form for a certificate used to
16 establish entitlement to the deductions described in section 42-5061,
17 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3.
18 Under rules the department may prescribe, the department may also require
19 additional information for the seller to be entitled to the deduction. If
20 a seller is entitled to the deductions described in section 42-5061,
21 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3,
22 the department may require the purchaser who executed the certificate to
23 establish the accuracy and completeness of the information contained in
24 the certificate that would entitle the seller to the deduction. If the
25 purchaser cannot establish the accuracy and completeness of the
26 information, the purchaser is liable in an amount equal to any tax,
27 penalty and interest that the seller would have been required to pay under
28 this article. Payment of the amount under this subsection exempts the
29 purchaser from liability for any tax imposed under article 4 of this
30 chapter. The amount shall be treated as tax revenues collected from the
31 seller in order to designate the distribution base for purposes of section
32 42-5029.

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

1 purposes of section 42-5029. For the purposes of this subsection,
2 "reasonable time" means a time limitation that the department determines
3 and that does not exceed the time limitations pursuant to section 42-1104.

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

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

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

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

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

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

43 J. To establish entitlement to the deduction described in section
44 42-5061, subsection A, paragraph 44, a public consignment auction dealer

1 as defined in section 28-4301 shall retain a copy of the certificate
2 prescribed by subsection H of this section for its records.

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

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

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

24 2. The department shall issue the certificate to the prime
25 contractor on receiving sufficient documentation to establish that the
26 prime contractor meets the requirements of this subsection.

27 3. If any person uses the certificate provided under this
28 subsection to purchase tangible personal property to be used in a project
29 that is not subject to tax under section 42-5075, the person is liable in
30 an amount equal to any tax, penalty and interest that the seller would
31 have been required to pay under this article if the seller had not
32 complied with subsection A of this section. Payment of the amount under
33 this section exempts the person from liability for any tax imposed under
34 article 4 of this chapter. The amount shall be sourced under section
35 42-5040, subsection A, paragraph 2.

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

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

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

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

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

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

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

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

1 five years after operational control was first transferred. For the
2 purposes of this subsection, operational control of the aircraft must be
3 within the meaning of federal aviation administration operations
4 specification A008, or its successor, except that:

5 1. If it is determined that operational control has been
6 transferred for less than fifty percent but more than forty percent of the
7 aircraft's flight hours, the owner of the aircraft is liable for an amount
8 equal to any tax that the seller or purchaser would have been required to
9 pay under this chapter at the time of the sale, plus interest.

10 2. If the aircraft is sold during the recapture period, the seller
11 is not liable for the amount determined pursuant to this subsection unless
12 the operational control of the aircraft had not been transferred for at
13 least fifty percent of the aircraft's flight hours at the time of the
14 sale.

15 R. Notwithstanding any other law, a shared vehicle owner is
16 entitled to an exclusion from any applicable taxes for a shared vehicle
17 transaction that is facilitated by a peer-to-peer car sharing program and
18 for which the peer-to-peer car sharing program has collected and remitted
19 applicable taxes.

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

25 1. Apply to the department for the exemption letter and fully
26 answer any eligibility questions required by the department for the
27 purposes of the exemption letter. If the department approves the
28 exemption letter application, the exemption letter is valid until the
29 entity is no longer qualified for the exemption letter.

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

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

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

1 42-5029. Remission and distribution of monies; withholding;
2 definition

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

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

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

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

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

13 5. Revenues collected pursuant to section 42-5010.01 and section
14 42-5155, subsection E.

15 6. Revenues collected pursuant to section 42-5061 from a remote
16 seller.

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

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

32 D. Of the monies designated as distribution base, the department
33 shall:

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

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

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

44 (b) The proportion that the distribution base monies collected
45 during the calendar month in each county under this article, section

1 42-5164, subsection B and section 42-5205, subsection B bear to the total
2 distribution base monies collected under this article, section 42-5164,
3 subsection B and section 42-5205, subsection B throughout the state for
4 the calendar month.

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

7 (a) Average the following proportions:

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

20 (ii) The proportion that the distribution base monies collected
21 during the calendar month in each county under this article, section
22 42-5164, subsection B and section 42-5205, subsection B bear to the total
23 distribution base monies collected under this article, section 42-5164,
24 subsection B and section 42-5205, subsection B throughout this state for
25 the calendar month.

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

37 4. After any distributions required by sections 42-5030,
38 42-5030.01, 42-5031, 42-5032, 42-5032.01, ~~and~~ 42-5032.02 AND 42-5032.03
39 and after making any transfer to the water quality assurance revolving
40 fund as required by section 49-282, subsection B, credit the remainder of
41 the monies designated as distribution base to the state general
42 fund. From this amount the legislature shall annually appropriate to:

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

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

3 (c) The firearms safety and ranges fund established by section
4 17-273, \$50,000 derived from the taxes collected from the retail
5 classification pursuant to section 42-5061 for the current fiscal year.

6 E. If approved by the qualified electors voting at a statewide
7 general election, all monies collected pursuant to section 42-5010,
8 subsection G and section 42-5155, subsection D shall be distributed each
9 fiscal year pursuant to this subsection. The monies distributed pursuant
10 to this subsection are in addition to any other appropriation, transfer or
11 other allocation of public or private monies from any other source and
12 shall not supplant, replace or cause a reduction in other school district,
13 charter school, university or community college funding sources. The
14 monies shall be distributed as follows:

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

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

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

35 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of
36 this subsection, one-twelfth of the amount a community college that is
37 owned, operated or chartered by a qualifying Indian tribe on its own
38 Indian reservation would receive pursuant to section 15-1472, subsection
39 D, paragraph 2 if it were a community college district shall be
40 distributed each month to the treasurer or other designated depository of
41 a qualifying Indian tribe. Monies distributed pursuant to this paragraph
42 are for the exclusive purpose of providing support to one or more
43 community colleges owned, operated or chartered by a qualifying Indian
44 tribe and shall be used in a manner consistent with section 15-1472,
45 subsection B. For the purposes of this paragraph, "qualifying Indian

1 tribe" has the same meaning as defined in section 42-5031.01,
2 subsection D.

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

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

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

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

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

12 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
13 \$86,280,500.

14 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of
15 this subsection, seven million eight hundred thousand dollars is
16 appropriated each fiscal year, to be paid in monthly installments, to the
17 department of education to be used for school safety as provided in
18 section 15-154 and two hundred thousand dollars is appropriated each
19 fiscal year, to be paid in monthly installments to the department of
20 education to be used for the character education matching grant program as
21 provided in section 15-154.01.

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

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

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

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

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

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

44 (c) Forty per cent shall be allocated for maintenance and operation
45 purposes.

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

4 G. Notwithstanding subsection D of this section, if a court of
5 competent jurisdiction finally determines that tax monies distributed
6 under this section were illegally collected under this article or articles
7 5 and 8 of this chapter and orders the monies to be refunded to the
8 taxpayer, the department shall compute the amount of such monies that was
9 distributed to each city, town and county under this section. Each
10 city's, town's and county's proportionate share of the costs shall be
11 based on the amount of the original tax payment each municipality and
12 county received. Each month the state treasurer shall reduce the amount
13 otherwise distributable to the city, town and county under this section by
14 1/36 of the total amount to be recovered from the city, town or county
15 until the total amount has been recovered, but the monthly reduction for
16 any city, town or county shall not exceed ten percent of the full monthly
17 distribution to that entity. The reduction shall begin for the first
18 calendar month after the final disposition of the case and shall continue
19 until the total amount, including interest and costs, has been recovered.

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

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

41 J. Except as otherwise provided by this subsection, on notice from
42 the department of revenue pursuant to section 42-6010, subsection B, the
43 state treasurer shall withhold from the distribution of monies pursuant to
44 this section to the affected city or town the amount of the penalty for
45 business location municipal tax incentives provided by the city or town to

1 a business entity that locates a retail business facility in the city or
2 town. The state treasurer shall continue to withhold monies pursuant to
3 this subsection until the entire amount of the penalty has been withheld.
4 The state treasurer shall credit any monies withheld pursuant to this
5 subsection to the state general fund as provided by subsection D,
6 paragraph 4 of this section. The state treasurer shall not withhold any
7 amount that the city or town certifies to the department of revenue and
8 the state treasurer as being necessary to make any required deposits or
9 payments for debt service on bonds or other long-term obligations of the
10 city or town that were issued or incurred before the location incentives
11 provided by the city or town.

12 K. On notice from the auditor general pursuant to section 9-626,
13 subsection D, the state treasurer shall withhold from the distribution of
14 monies pursuant to this section to the affected city the amount computed
15 pursuant to section 9-626, subsection D. The state treasurer shall
16 continue to withhold monies pursuant to this subsection until the entire
17 amount specified in the notice has been withheld. The state treasurer
18 shall credit any monies withheld pursuant to this subsection to the state
19 general fund as provided by subsection D, paragraph 4 of this section.

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

37 M. For the purposes of this section, "community college district"
38 means a community college district that is established pursuant to
39 sections 15-1402 and 15-1403 and that is a political subdivision of this
40 state and, unless otherwise specified, includes a community college
41 tuition financing district established pursuant to section 15-1409.

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

44 42-5032.03. Distribution of revenue for county stadium
45 district

1 A. BEGINNING THE FIRST DAY OF THE MONTH FOLLOWING THE EFFECTIVE
2 DATE OF THIS SECTION AND EACH MONTH THEREAFTER THROUGH THE MONTH OF THE
3 NOTICE PROVIDED PURSUANT TO SECTION 48-4238 OR DECEMBER 31, 2055,
4 WHICHEVER IS LATER, THE STATE TREASURER SHALL TRANSMIT, FROM THE AMOUNT
5 DESIGNATED AS DISTRIBUTION BASE PURSUANT TO SECTION 42-5029, SUBSECTION D,
6 THE AMOUNT DETERMINED UNDER SUBSECTION B OF THIS SECTION TO THE COUNTY
7 STADIUM DISTRICT ESTABLISHED PURSUANT TO TITLE 48, CHAPTER 26 FOR DEPOSIT
8 IN THE COUNTY STADIUM DISTRICT FUND ESTABLISHED PURSUANT TO SECTION
9 48-4231.

10 B. THE AMOUNT TO BE TRANSMITTED UNDER SUBSECTION A OF THIS SECTION
11 IS THE TOTAL AMOUNT OF STATE TRANSACTION PRIVILEGE TAX REVENUES RECEIVED
12 FROM PERSONS CONDUCTING BUSINESS UNDER THE RETAIL, AMUSEMENT, RESTAURANT
13 AND PRIME CONTRACTING CLASSIFICATIONS AT, OR WITH RESPECT TO EVENTS HELD
14 AT, A MAJOR LEAGUE BASEBALL FACILITY OR AN ADJACENT BUILDING THAT IS OWNED
15 BY A COUNTY STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26 AND OPERATED
16 BY THE COUNTY STADIUM DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
17 ORGANIZATION THAT OCCUPIES THE FACILITY OR ADJACENT BUILDING.

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

20 42-5061. Retail classification; definitions

21 A. The retail classification is comprised of the business of
22 selling tangible personal property at retail. The tax base for the retail
23 classification is the gross proceeds of sales or gross income derived from
24 the business. The tax imposed on the retail classification does not apply
25 to the gross proceeds of sales or gross income from:

26 1. Professional or personal service occupations or businesses that
27 involve sales or transfers of tangible personal property only as
28 inconsequential elements.

29 2. Services rendered in addition to selling tangible personal
30 property at retail.

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

34 4. Sales of tangible personal property by any nonprofit
35 organization organized and operated exclusively for charitable purposes
36 and recognized by the United States internal revenue service under section
37 501(c)(3) of the internal revenue code.

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

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

43 7. The sale of stocks and bonds.

44 8. Drugs and medical oxygen, including delivery hose, mask or tent,
45 regulator and tank, if prescribed by a member of the medical, dental or

1 veterinarian profession who is licensed by law to administer such
2 substances.

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

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

7 11. Prescription eyeglasses or contact lenses.

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

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

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

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

20 (b) The vehicle, trailer or semitrailer has a gross vehicle weight
21 rating of more than ten thousand pounds, is used or maintained to
22 transport property in the furtherance of interstate commerce and otherwise
23 meets the definition of commercial motor vehicle as defined in section
24 28-5201.

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

27 16. Items purchased with United States department of agriculture
28 coupons issued under the supplemental nutrition assistance program
29 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;
30 7 United States Code sections 2011 through 2036b) by the United States
31 department of agriculture food and nutrition service or food instruments
32 issued under section 17 of the child nutrition act (P.L. 95-627;
33 92 Stat. 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States
34 Code section 1786).

35 17. Textbooks by any bookstore that are required by any state
36 university or community college.

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

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

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

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

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

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

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

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

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

32 22. Motor vehicle fuel and use fuel that are subject to a tax
33 imposed under title 28, chapter 16, article 1, sales of use fuel to a
34 holder of a valid single trip use fuel tax permit issued under section
35 28-5739, sales of aviation fuel that are subject to the tax imposed under
36 section 28-8344 and sales of jet fuel that are subject to the tax imposed
37 under article 8 of this chapter.

38 23. Tangible personal property sold to a person engaged in the
39 business of leasing or renting such property under the personal property
40 rental classification if such property is to be leased or rented by such
41 person.

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

45 25. Tangible personal property sold to:

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

2 (b) A qualifying health care organization as defined in section
3 42-5001 if the tangible personal property is used by the organization
4 solely to provide health and medical related educational and charitable
5 services.

6 (c) A qualifying health care organization as defined in section
7 42-5001 if the organization is dedicated to providing educational,
8 therapeutic, rehabilitative and family medical education training for
9 blind and visually impaired children and children with multiple
10 disabilities from the time of birth to age twenty-one.

11 (d) A qualifying community health center as defined in section
12 42-5001.

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

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

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

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

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

32 27. Tangible personal property sold to:

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

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

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

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

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

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

11 29. Tangible personal property purchased in this state by a
12 nonprofit charitable organization that has qualified under section
13 501(c)(3) of the United States internal revenue code and that engages in
14 and uses such property exclusively in programs for persons with mental or
15 physical disabilities if the programs are exclusively for training, job
16 placement, rehabilitation or testing.

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

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

35 32. Sales of tangible personal property by a nonprofit organization
36 that is exempt from taxation under section 501(c)(3), 501(c)(4),
37 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code if the
38 organization sponsors or operates a rodeo featuring primarily farm and
39 ranch animals and no part of the organization's net earnings inures to the
40 benefit of any private shareholder or individual.

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

1 (a) Includes seeds, seedlings, roots, bulbs, liners, transplants,
2 cuttings, soil and plant additives, agricultural minerals, auxiliary soil
3 and plant substances, micronutrients, fertilizers, insecticides,
4 herbicides, fungicides, soil fumigants, desiccants, rodenticides,
5 adjuvants, plant nutrients and plant growth regulators.

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

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

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

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

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

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

44 39. Through December 31, 1994, personal property liquidation
45 transactions, conducted by a personal property liquidator. From and after

1 December 31, 1994, personal property liquidation transactions shall be
2 taxable under this section provided that nothing in this subsection shall
3 be construed to authorize the taxation of casual activities or
4 transactions under this chapter. For the purposes of this paragraph:

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

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

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

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

22 42. Sales of:

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

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

32 43. Sales of implants used as growth promotants and injectable
33 medicines, not already exempt under paragraph 8 of this subsection, for
34 livestock or poultry owned by or in possession of persons that are engaged
35 in producing livestock, poultry, or livestock or poultry products or that
36 are engaged in feeding livestock or poultry commercially. For the
37 purposes of this paragraph, "poultry" includes ratites.

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

42 45. Tangible personal property sold to a person engaged in business
43 and subject to tax under the transient lodging classification if the
44 tangible personal property is a personal hygiene item or articles used by
45 human beings for food, drink or condiment, except alcoholic beverages,

1 that are furnished without additional charge to and intended to be
2 consumed by the transient during the transient's occupancy.

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

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

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

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

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

20 49. Sales of alternative fuel vehicles if the vehicle was
21 manufactured as a diesel fuel vehicle and converted to operate on
22 alternative fuel and equipment that is installed in a conventional diesel
23 fuel motor vehicle to convert the vehicle to operate on an alternative
24 fuel, as defined in section 1-215.

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

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

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

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

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

42 (b) "Curriculum design or enhancement" means planning, implementing
43 or reporting on courses of study, lessons, assignments or other learning
44 activities.

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

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

9 56. Sales or other transfers of renewable energy credits or any
10 other unit created to track energy derived from renewable energy
11 resources. For the purposes of this paragraph, "renewable energy credit"
12 means a unit created administratively by the corporation commission or
13 governing body of a public power utility to track kilowatt hours of
14 electricity derived from a renewable energy resource or the kilowatt hour
15 equivalent of conventional energy resources displaced by distributed
16 renewable energy resources.

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

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

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

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

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

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

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

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

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

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

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

26 4. Machinery, equipment or transmission lines used directly in
27 producing or transmitting electrical power, but not including
28 distribution. Transformers and control equipment used at transmission
29 substation sites constitute equipment used in producing or transmitting
30 electrical power.

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

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

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

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

44 6. Neat animals, horses, asses, sheep, ratites, swine or goats used
45 or to be used as breeding or production stock, including sales of

1 breedings or ownership shares in such animals used for breeding or
2 production.

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

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

9 (a) A person:

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

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

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

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

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

37 (b) Any foreign government.

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

1 9. Machinery, tools, equipment and related supplies used or
2 consumed directly in repairing, remodeling or maintaining aircraft,
3 aircraft engines or aircraft component parts by or on behalf of a
4 certificated or licensed carrier of persons or property.

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

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

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

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

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

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

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

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

1 research and development, or other nontechnological activities or
2 technical services.

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

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

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

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

15 (ii) Over two-thirds of the transmissions, measured in megabytes,
16 transmitted by or on behalf of those direct broadcast television or data
17 transmission services during the test period were transmitted by the
18 facility to or on behalf of those services. For the purposes of
19 subdivision (b) of this paragraph, "test period" means the three hundred
20 sixty-five day period beginning on the later of the date on which the
21 tangible personal property is purchased or the date on which the direct
22 broadcast satellite television or data transmission service first
23 transmits information to its customers.

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

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

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

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

1 19. Machinery or equipment, including related structural components
2 and containment structures, that is employed in connection with
3 manufacturing, processing, fabricating, job printing, refining, mining,
4 natural gas pipelines, metallurgical operations, telecommunications,
5 producing or transmitting electricity or research and development and that
6 is used directly to meet or exceed rules or regulations adopted by the
7 federal energy regulatory commission, the United States environmental
8 protection agency, the United States nuclear regulatory commission, the
9 Arizona department of environmental quality or a political subdivision of
10 this state to prevent, monitor, control or reduce land, water or air
11 pollution. For the purposes of this paragraph, "containment structure"
12 means a structure that prevents, monitors, controls or reduces noxious or
13 harmful discharge into the environment.

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

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

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

30 (b) Machinery or equipment purchased to replace machinery or
31 equipment for which an exemption was previously claimed and taken under
32 this paragraph.

33 (c) Any machinery or equipment purchased after the television
34 station has ceased analog broadcasting, or purchased after November 1,
35 2009, whichever occurs first.

36 22. Qualifying equipment that is purchased from and after June 30,
37 2004 through December 31, 2026 by a qualified business under section
38 41-1516 for harvesting or processing qualifying forest products removed
39 from qualifying projects as defined in section 41-1516. To qualify for
40 this deduction, the qualified business at the time of purchase must
41 present its certification approved by the department.

42 23. Computer data center equipment sold to the owner, operator or
43 qualified colocation tenant of a computer data center that is certified by
44 the Arizona commerce authority under section 41-1519 or an authorized
45 agent of the owner, operator or qualified colocation tenant during the

1 qualification period for use in the qualified computer data center. For
2 the purposes of this paragraph, "computer data center", "computer data
3 center equipment", "qualification period" and "qualified colocation
4 tenant" have the same meanings prescribed in section 41-1519.

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

7 1. Expendable materials. For the purposes of this paragraph,
8 expendable materials do not include any of the categories of tangible
9 personal property specified in subsection B of this section regardless of
10 the cost or useful life of that property.

11 2. Janitorial equipment and hand tools.

12 3. Office equipment, furniture and supplies.

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

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

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

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

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

25 D. In addition to the deductions from the tax base prescribed by
26 subsection A of this section, there shall be deducted from the tax base
27 the gross proceeds of sales or gross income derived from sales of
28 machinery, equipment, materials and other tangible personal property used
29 directly and predominantly to construct a qualified environmental
30 technology manufacturing, producing or processing facility as described in
31 section 41-1514.02. This subsection applies for ten full consecutive
32 calendar or fiscal years after the start of initial construction.

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

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

43 G. If a person is engaged in the business of selling tangible
44 personal property at both wholesale and retail, the tax under this section
45 applies only to the gross proceeds of the sales made other than at

1 wholesale if the person's books are kept so as to show separately the
2 gross proceeds of sales of each class, and if the books are not so kept,
3 the tax under this section applies to the gross proceeds of every sale so
4 made.

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

12 1. Agricultural producers who are owners, proprietors or tenants of
13 agricultural lands, orchards, farms or gardens where agricultural products
14 are grown, raised or prepared for market and who are marketing their own
15 agricultural products.

16 2. Businesses classified under the:

17 (a) Transporting classification.

18 (b) Utilities classification.

19 (c) Telecommunications classification.

20 (d) Pipeline classification.

21 (e) Private car line classification.

22 (f) Publication classification.

23 (g) Job printing classification.

24 (h) Prime contracting classification.

25 (i) Restaurant classification.

26 I. The gross proceeds of sales or gross income derived from the
27 following shall be deducted from the tax base for the retail
28 classification:

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

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

36 3. Overhead materials or other tangible personal property that is
37 used in performing a contract between the United States government and a
38 manufacturer, modifier, assembler or repairer, including property used in
39 performing a subcontract with a government contractor who is a
40 manufacturer, modifier, assembler or repairer, to which title passes to
41 the government under the terms of the contract or subcontract.

42 4. Sales of overhead materials or other tangible personal property
43 to a manufacturer, modifier, assembler or repairer if the gross proceeds
44 of sales or gross income derived from the property by the manufacturer,

1 modifier, assembler or repairer will be exempt under paragraph 3 of this
2 subsection.

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

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

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

14 1. A manufacturer's cash rebate on the sales price of a motor
15 vehicle if the buyer assigns the buyer's right in the rebate to the
16 retailer.

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

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

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

30 O. For the purposes of this section, a sale of wireless
31 telecommunications equipment to a person who holds the equipment for sale
32 or transfer to a customer as an inducement to enter into or continue a
33 contract for telecommunications services that are taxable under section
34 42-5064 is considered to be a sale for resale in the regular course of
35 business.

36 P. Retail sales of prepaid calling cards or prepaid authorization
37 numbers for telecommunications services, including sales of
38 reauthorization of a prepaid card or authorization number, are subject to
39 tax under this section.

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

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

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

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

8 1. The transfer of title or possession of the coal is for the
9 purpose of refining the coal.

10 2. The title or possession of the coal is transferred back to the
11 owner or operator of the power plant after completion of the coal refining
12 process. For the purposes of this paragraph, "coal refining process"
13 means the application of a coal additive system that aids in the reduction
14 of power plant emissions during the combustion of coal and the treatment
15 of flue gas.

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

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

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

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

40 U. FOR THE PURPOSES OF SECTION 42-5032.03, BEGINNING THE FIRST DAY
41 OF THE MONTH FOLLOWING THE EFFECTIVE DATE OF THIS SECTION THROUGH THE
42 MONTH OF THE NOTICE PROVIDED PURSUANT TO SECTION 48-4238 OR DECEMBER 31,
43 2055, WHICHEVER IS LATER, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR
44 REVENUES COLLECTED UNDER THE RETAIL CLASSIFICATION FROM BUSINESSES SELLING
45 TANGIBLE PERSONAL PROPERTY AT RETAIL ON THE PREMISES OF A MAJOR LEAGUE

1 BASEBALL FACILITY OR AN ADJACENT BUILDING THAT IS OWNED BY A COUNTY
2 STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26 AND OPERATED BY THE
3 COUNTY STADIUM DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
4 ORGANIZATION THAT OCCUPIES THE FACILITY OR ADJACENT BUILDING.

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

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

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

22 2. "Aircraft" includes:

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

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

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

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

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

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

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

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

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

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

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

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

24 42-5073. Amusement classification

25 A. The amusement classification is comprised of the business of
26 operating or conducting theaters, movies, operas, shows of any type or
27 nature, exhibitions, concerts, carnivals, circuses, amusement parks,
28 menageries, fairs, races, contests, games, billiard or pool parlors,
29 bowling alleys, public dances, dance halls, boxing and wrestling matches,
30 skating rinks, tennis courts, except as provided in subsection B of this
31 section, video games, pinball machines or sports events or any other
32 business charging admission or user fees for exhibition, amusement or
33 entertainment, including the operation or sponsorship of events by a
34 tourism and sports authority under title 5, chapter 8. For the purposes
35 of this section, admission or user fees include, but are not limited to,
36 any revenues derived from any form of contractual agreement for rights to
37 or use of premium or special seating facilities or arrangements. The
38 amusement classification does not include:

39 1. Activities or projects of bona fide religious or educational
40 institutions.

41 2. Private or group instructional activities. For the purposes of
42 this paragraph, "private or group instructional activities" includes, but
43 is not limited to, performing arts, martial arts, gymnastics and aerobic
44 instruction.

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

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

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

21 6. Operating or sponsoring rodeos that feature primarily farm and
22 ranch animals in this state and that are sponsored, conducted or operated
23 by a nonprofit organization that is exempt from taxation under section
24 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the internal
25 revenue code if no part of the organization's net earnings inures to the
26 benefit of any private shareholder or individual.

27 7. Sales of admissions to intercollegiate football contests if the
28 contests are both:

29 (a) Operated by a nonprofit organization that is exempt from
30 taxation under section 501(c)(3) of the internal revenue code and no part
31 of the organization's net earnings inures to the benefit of any private
32 shareholder or individual.

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

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

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

1 (b) The primary purpose of the organization is to provide for the
2 acquisition, construction, management, maintenance or care of organization
3 property.

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

10 10. Arranging an amusement activity as a service to a person's
11 customers if that person is not otherwise engaged in the business of
12 operating or conducting an amusement personally or through others. This
13 exception does not apply to businesses that operate or conduct amusements
14 pursuant to customer orders and send the billings and receive the payments
15 associated with that activity, including when the amusement is performed
16 by third-party independent contractors. For the purposes of this
17 paragraph, "arranging" includes billing for or collecting amusement
18 charges from a person's customers on behalf of the persons providing the
19 amusement.

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

23 1. The gross proceeds of sales or gross income derived from
24 memberships, including initiation fees, that provide for the right to use
25 a health or fitness establishment or a private recreational establishment,
26 or any portion of an establishment, including tennis and other racquet
27 courts at that establishment, for participatory purposes for twenty-eight
28 days or more and fees charged for use of the health or fitness
29 establishment or private recreational establishment by bona fide
30 accompanied guests of members, except that this paragraph does not include
31 additional fees, other than initiation fees, charged by a health or
32 fitness establishment or a private recreational establishment for purposes
33 other than memberships that provide for the right to use a health or
34 fitness establishment or private recreational establishment, or any
35 portion of an establishment, for participatory purposes for twenty-eight
36 days or more and accompanied guest use fees.

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

38 3. The gross proceeds of sales or gross income derived from
39 membership fees, including initiation fees, that provide for the right to
40 use a transient lodging recreational establishment, including golf courses
41 and tennis and other racquet courts at that establishment, for
42 participatory purposes for twenty-eight days or more, except that this
43 paragraph does not include additional fees, other than initiation fees,
44 that are charged by a transient lodging recreational establishment for
45 purposes other than memberships and that provide for the right to use a

1 transient lodging recreational establishment or any portion of the
2 establishment for participatory purposes for twenty-eight days or more.

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

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

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

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

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

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

18 (b) Business activity that is arranged by the person who is subject
19 to tax under this section and that is not taxable to the person conducting
20 the activity due to an exclusion, exemption or deduction under this
21 section or section 42-5062, but the gross proceeds of sales or gross
22 income to be deducted shall not exceed the consideration paid to the
23 person conducting the activity.

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

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

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

33 (b) Are operated or conducted by nonprofit organizations that are
34 exempt from taxation under section 501(c)(3) of the internal revenue code
35 and of which no part of the organization's net earnings inures to the
36 benefit of any private shareholder or individual, if the event consists of
37 a run, walk, swim or bicycle ride or a similar event, or any combination
38 of these events.

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

40 1. "Health or fitness establishment" means a facility whose primary
41 purpose is to provide facilities, equipment, instruction or education to
42 promote the health and fitness of its members and at least eighty percent
43 of the monthly gross revenue of the facility is received through accounts
44 of memberships and accompanied guest use fees that provide for the right
45 to use the facility, or any portion of the facility, under the terms of

1 the membership agreement for participatory purposes for twenty-eight days
2 or more.

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

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

15 D. Until December 31, 1988, the revenues from hayrides and other
16 animal-drawn amusement rides, from horseback riding and riding instruction
17 and from recreational tours using motor vehicles designed to operate on
18 and off public highways are exempt from the tax imposed by this section.
19 Beginning January 1, 1989, the gross proceeds or gross income from
20 hayrides and other animal-drawn amusement rides, from horseback riding and
21 from recreational tours using motor vehicles designed to operate on and
22 off public highways are subject to taxation under this section. Tax
23 liabilities, penalties and interest paid for taxable periods before
24 January 1, 1989 shall not be refunded unless the taxpayer requesting the
25 refund provides proof satisfactory to the department that the taxes will
26 be returned to the customer.

27 E. If a person is engaged in the business of offering both
28 exhibition, amusement or entertainment and private or group instructional
29 activities, the person's books shall be kept to show separately the gross
30 income from exhibition, amusement or entertainment and the gross income
31 from instructional activities. If the books do not provide this separate
32 accounting, the tax is imposed on the person's total gross income from the
33 business.

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

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

40 1. Events that are held in a multipurpose facility that is owned or
41 operated by the tourism and sports authority pursuant to title 5, chapter
42 8, including intercollegiate football contests that are operated by a
43 nonprofit organization that is exempt from taxation under section
44 501(c)(3) of the internal revenue code.

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

4 H. FOR THE PURPOSES OF SECTION 42-5032.03, BEGINNING THE FIRST DAY
5 OF THE MONTH FOLLOWING THE EFFECTIVE DATE OF THIS SECTION THROUGH THE
6 MONTH OF THE NOTICE PROVIDED PURSUANT TO SECTION 48-4238 OR DECEMBER 31,
7 2055, WHICHEVER IS LATER, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR
8 REVENUES COLLECTED UNDER THE AMUSEMENT CLASSIFICATION FROM THE SALES OF
9 ADMISSIONS TO A MAJOR LEAGUE BASEBALL FACILITY THAT IS OWNED BY A COUNTY
10 STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26 AND OPERATED BY THE
11 COUNTY STADIUM DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
12 ORGANIZATION THAT OCCUPIES THE FACILITY OR ADJACENT BUILDING.

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

15 42-5074. Restaurant classification

16 A. The restaurant classification is comprised of the business of
17 operating restaurants, dining cars, dining rooms, lunchrooms, mobile food
18 units, lunch stands, soda fountains, catering services or similar
19 establishments where articles of food or drink are sold for consumption on
20 or off the premises.

21 B. The tax base for the restaurant classification is the gross
22 proceeds of sales or gross income derived from the business. The gross
23 proceeds of sales or gross income derived from the following shall be
24 deducted from the tax base:

25 1. Sales to a person engaged in business classified under the
26 restaurant classification if the items sold are to be resold in the
27 regular course of the business.

28 2. Sales by a congressionally chartered veterans organization of
29 food or drink prepared for consumption on the premises leased, owned or
30 maintained by the organization.

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

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

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

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

8 6. Sales by any nonprofit organization organized and operated
9 exclusively for charitable purposes and recognized by the United States
10 internal revenue service under section 501(c)(3) of the internal revenue
11 code.

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

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

17 9. Sales of food, drink and condiment for consumption within the
18 premises of any prison, jail or other institution under the jurisdiction
19 of the state department of corrections, the department of public safety,
20 the department of juvenile corrections or a county sheriff.

21 10. Sales of articles of prepared or unprepared food, drink or
22 condiment and accessory tangible personal property to a school district or
23 charter school if the articles and accessory tangible personal property
24 are served to persons for consumption on the premises of a public school
25 in the school district or charter school during school hours.

26 11. Prepared food, drink or condiment donated by a restaurant to a
27 nonprofit charitable organization that has qualified under section
28 501(c)(3) of the internal revenue code and that regularly serves meals to
29 the needy and indigent on a continuing basis at no cost.

30 12. Sales of articles of food and drink at low or reduced prices to
31 eligible elderly or homeless persons or persons with a disability by a
32 restaurant that contracts with the department of economic security and
33 that is approved by the food and nutrition services of the United States
34 department of agriculture pursuant to the supplemental nutrition
35 assistance program established by the food and nutrition act of 2008
36 (P.L. 110-246; 122 Stat. 1651; 7 United States Code sections 2011 through
37 2036a), if the purchases of the articles of food and drink are made with
38 the benefits issued pursuant to the supplemental nutrition assistance
39 program.

40 C. The tax imposed on the restaurant classification pursuant to
41 this section does not apply to the gross proceeds of sales or gross income
42 from tangible personal property sold to a commercial airline consisting of
43 food, beverages and condiments and accessories used for serving the food
44 and beverages, if those items are to be provided without additional charge
45 to passengers for consumption in flight. For the purposes of this

1 subsection, "commercial airline" means a person holding a federal
2 certificate of public convenience and necessity or foreign air carrier
3 permit for air transportation to transport persons, property or United
4 States mail in intrastate, interstate or foreign commerce.

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

8 E. For the purposes of section 42-5032.01, the department shall
9 separately account for revenues collected under the restaurant
10 classification from businesses operating restaurants, dining rooms,
11 lunchrooms, lunch stands, soda fountains, catering services or similar
12 establishments:

13 1. On the premises of a multipurpose facility that is owned or
14 operated by the tourism and sports authority pursuant to title 5, chapter
15 8 for consumption on or off the premises.

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

19 F. FOR THE PURPOSES OF SECTION 42-5032.03, BEGINNING THE FIRST DAY
20 OF THE MONTH FOLLOWING THE EFFECTIVE DATE OF THIS SECTION THROUGH THE
21 MONTH OF THE NOTICE PROVIDED PURSUANT TO SECTION 48-4238 OR DECEMBER 31,
22 2055, WHICHEVER IS LATER, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR
23 REVENUES COLLECTED UNDER THE RESTAURANT CLASSIFICATION FROM BUSINESSES
24 OPERATING RESTAURANTS, DINING ROOMS, LUNCHROOMS, LUNCH STANDS, SODA
25 FOUNTAINS, CATERING SERVICES OR SIMILAR ESTABLISHMENTS ON THE PREMISES OF
26 A MAJOR LEAGUE BASEBALL FACILITY OR AN ADJACENT BUILDING THAT IS OWNED BY
27 A COUNTY STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26 AND OPERATED BY
28 THE COUNTY STADIUM DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
29 ORGANIZATION THAT OCCUPIES THE FACILITY OR ADJACENT BUILDING.

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

32 42-5075. Prime contracting classification; exemptions;
33 definitions

34 A. The prime contracting classification is comprised of the
35 business of prime contracting and the business of manufactured building
36 dealer. Sales for resale to another manufactured building dealer are not
37 subject to tax. Sales for resale do not include sales to a lessor of
38 manufactured buildings. The sale of a used manufactured building is not
39 taxable under this chapter. The prime contracting classification does not
40 include any work or operation performed by a person that is not required
41 to be licensed by the registrar of contractors pursuant to section
42 32-1121.

43 B. The tax base for the prime contracting classification is
44 sixty-five percent of the gross proceeds of sales or gross income derived

1 from the business. The following amounts shall be deducted from the gross
2 proceeds of sales or gross income before computing the tax base:

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

5 2. Sales and installation of groundwater measuring devices required
6 under section 45-604 and groundwater monitoring wells required by law,
7 including monitoring wells installed for acquiring information for a
8 permit required by law.

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

14 4. The gross proceeds of sales or gross income received from a
15 contract entered into for the modification of any building, highway, road,
16 railroad, excavation, manufactured building or other structure, project,
17 development or improvement located in a military reuse zone for providing
18 aviation or aerospace services or for a manufacturer, assembler or
19 fabricator of aviation or aerospace products within an active military
20 reuse zone after the zone is initially established or renewed under
21 section 42-1301. To be eligible to qualify for this deduction, before
22 beginning work under the contract, the prime contractor must have applied
23 for a letter of qualification from the department of revenue.

24 5. The gross proceeds of sales or gross income derived from a
25 contract to construct a qualified environmental technology manufacturing,
26 producing or processing facility, as described in section 41-1514.02, and
27 from subsequent construction and installation contracts that begin within
28 ten years after the start of initial construction. To qualify for this
29 deduction, before beginning work under the contract, the prime contractor
30 must obtain a letter of qualification from the department of revenue. This
31 paragraph shall apply for ten full consecutive calendar or fiscal years
32 after the start of initial construction.

33 6. The gross proceeds of sales or gross income from a contract to
34 provide for one or more of the following actions, or a contract for site
35 preparation, constructing, furnishing or installing machinery, equipment
36 or other tangible personal property, including structures necessary to
37 protect exempt incorporated materials or installed machinery or equipment,
38 and tangible personal property incorporated into the project, to perform
39 one or more of the following actions in response to a release or suspected
40 release of a hazardous substance, pollutant or contaminant from a facility
41 to the environment, unless the release was authorized by a permit issued
42 by a governmental authority:

43 (a) Actions to monitor, assess and evaluate such a release or a
44 suspected release.

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

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

6 (d) Pumping and treatment or in situ treatment of contaminated
7 groundwater or surface water to reduce the concentration or toxicity of a
8 contaminant.

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

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

18 7. The gross proceeds of sales or gross income that is derived from
19 a contract for the installation, assembly, repair or maintenance of
20 machinery, equipment or other tangible personal property that is either
21 deducted from the tax base of the retail classification under section
22 42-5061, subsection B or that is exempt from use tax under section
23 42-5159, subsection B and that has independent functional utility,
24 pursuant to the following provisions:

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

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

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

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

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

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

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

8 (i) Assembling the machinery, equipment or other tangible personal
9 property.

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

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

15 (iv) Stabilizing or protecting the machinery, equipment or other
16 tangible personal property during operation by bolting, burying or
17 performing other similar nonpermanent connections to either real property
18 or real property improvements.

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

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

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

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

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

27 9. The gross proceeds of sales or gross income received from a
28 contract for the construction of an environmentally controlled facility
29 for the raising of poultry for the production of eggs and the sorting,
30 cooling and packaging of eggs.

31 10. The gross proceeds of sales or gross income that is derived
32 from a contract entered into with a person who is engaged in the
33 commercial production of livestock, livestock products or agricultural,
34 horticultural, viticultural or floricultural crops or products in this
35 state for the modification of any building, highway, road, excavation,
36 manufactured building or other structure, project, development or
37 improvement used directly and primarily to prevent, monitor, control or
38 reduce air, water or land pollution.

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

43 12. For taxable periods beginning from and after June 30, 2001, the
44 gross proceeds of sales or gross income derived from a contract entered
45 into for the construction of a residential apartment housing facility that

1 qualifies for a federal housing subsidy for low-income persons over
2 sixty-two years of age and that is owned by a nonprofit charitable
3 organization that has qualified under section 501(c)(3) of the internal
4 revenue code.

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

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

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

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

22 17. The gross proceeds of sales or gross income received from
23 contracts entered into before July 1, 2006 for constructing a state
24 university research infrastructure project if the project has been
25 reviewed by the joint committee on capital review before the university
26 enters into the construction contract for the project. For the purposes
27 of this paragraph, "research infrastructure" has the same meaning
28 prescribed in section 15-1670.

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

37 19. Any amount of the gross proceeds of sales or gross income
38 attributable to development fees that are incurred in relation to a
39 contract for construction, development or improvement of real property and
40 that are paid by a prime contractor or subcontractor. For the purposes of
41 this paragraph:

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

44 (b) The attributable amount is equal to the total amount of
45 development fees paid by the prime contractor or subcontractor, and the

1 total development fees credited in exchange for the construction of,
2 contribution to or dedication of real property for providing public
3 infrastructure, public safety or other public services necessary to the
4 development. The real property must be the subject of the development
5 fees.

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

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

16 (a) "Mixed waste processing facility" means a solid waste facility
17 that is owned, operated or used for the treatment, processing or disposal
18 of solid waste, recyclable solid waste, very small quantity generator
19 waste or household hazardous waste. For the purposes of this subdivision,
20 "very small quantity generator waste", "household hazardous waste" and
21 "solid waste facility" have the same meanings prescribed in section
22 49-701, except that solid waste facility does include a site that stores,
23 treats or processes paper, glass, wood, cardboard, household textiles,
24 scrap metal, plastic, vegetative waste, aluminum, steel or other
25 recyclable material.

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

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

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

35 21. The gross proceeds of sales or gross income derived from a
36 contract to install containment structures. For the purposes of this
37 paragraph, "containment structure" means a structure that prevents,
38 monitors, controls or reduces noxious or harmful discharge into the
39 environment.

40 C. Entitlement to the deduction pursuant to subsection B, paragraph
41 7 of this section is subject to the following provisions:

42 1. A prime contractor may establish entitlement to the deduction by
43 both:

1 (a) Marking the invoice for the transaction to indicate that the
2 gross proceeds of sales or gross income derived from the transaction was
3 deducted from the base.

4 (b) Obtaining a certificate executed by the purchaser indicating
5 the name and address of the purchaser, the precise nature of the business
6 of the purchaser, the purpose for which the purchase was made, the
7 necessary facts to establish the deductibility of the property under
8 section 42-5061, subsection B, and a certification that the person
9 executing the certificate is authorized to do so on behalf of the
10 purchaser. The certificate may be disregarded if the prime contractor has
11 reason to believe that the information contained in the certificate is not
12 accurate or complete.

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

16 3. The department may prescribe a form for the certificate
17 described in paragraph 1, subdivision (b) of this subsection. The
18 department may also adopt rules that describe the transactions with
19 respect to which a person is not entitled to rely solely on the
20 information contained in the certificate provided in paragraph 1,
21 subdivision (b) of this subsection but must instead obtain such additional
22 information as required in order to be entitled to the deduction.

23 4. If a prime contractor is entitled to a deduction by complying
24 with paragraph 1 of this subsection, the department may require the
25 purchaser who caused the execution of the certificate to establish the
26 accuracy and completeness of the information required to be contained in
27 the certificate that would entitle the prime contractor to the deduction.
28 If the purchaser cannot establish the accuracy and completeness of the
29 information, the purchaser is liable in an amount equal to any tax,
30 penalty and interest that the prime contractor would have been required to
31 pay under article 1 of this chapter if the prime contractor had not
32 complied with paragraph 1 of this subsection. Payment of the amount under
33 this paragraph exempts the purchaser from liability for any tax imposed
34 under article 4 of this chapter. The amount shall be treated as a
35 transaction privilege tax to the purchaser and as tax revenues collected
36 from the prime contractor in order to designate the distribution base for
37 purposes of section 42-5029.

38 D. Subcontractors or others who perform modification activities are
39 not subject to tax if they can demonstrate that the job was within the
40 control of a prime contractor or contractors or a dealership of
41 manufactured buildings and that the prime contractor or dealership is
42 liable for the tax on the gross income, gross proceeds of sales or gross
43 receipts attributable to the job and from which the subcontractors or
44 others were paid.

1 E. Amounts received by a contractor for a project are excluded from
2 the contractor's gross proceeds of sales or gross income derived from the
3 business if the person who hired the contractor executes and provides a
4 certificate to the contractor stating that the person providing the
5 certificate is a prime contractor and is liable for the tax under article
6 1 of this chapter. The department shall prescribe the form of the
7 certificate. If the contractor has reason to believe that the information
8 contained on the certificate is erroneous or incomplete, the department
9 may disregard the certificate. If the person who provides the certificate
10 is not liable for the tax as a prime contractor, that person is
11 nevertheless deemed to be the prime contractor in lieu of the contractor
12 and is subject to the tax under this section on the gross receipts or
13 gross proceeds received by the contractor.

14 F. Every person engaging or continuing in this state in the
15 business of prime contracting or dealership of manufactured buildings
16 shall present to the purchaser of such prime contracting or manufactured
17 building a written receipt of the gross income or gross proceeds of sales
18 from such activity and shall separately state the taxes to be paid
19 pursuant to this section.

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

26 H. For the purposes of section 42-5032.02, from and after
27 September 30, 2013, the department shall separately account for revenues
28 reported and collected under the prime contracting classification from any
29 prime contractor engaged in the construction of any buildings and
30 associated improvements that are for the benefit of a manufacturing
31 facility. For the purposes of this subsection, "associated improvements"
32 and "manufacturing facility" have the same meanings prescribed in section
33 42-5032.02.

34 I. FOR THE PURPOSES OF SECTION 42-5032.02, BEGINNING THE FIRST DAY
35 OF THE MONTH FOLLOWING THE EFFECTIVE DATE OF THIS SECTION THROUGH THE
36 MONTH OF THE NOTICE PROVIDED PURSUANT TO SECTION 48-4238 OR DECEMBER 31,
37 2055, WHICHEVER IS LATER, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR
38 REVENUES REPORTED AND COLLECTED UNDER THE PRIME CONTRACTING CLASSIFICATION
39 FROM ANY PRIME CONTRACTOR ENGAGED IN THE CONSTRUCTION OF ANY BUILDINGS AND
40 ASSOCIATED IMPROVEMENTS THAT ARE FOR THE BENEFIT OF A MAJOR LEAGUE
41 BASEBALL FACILITY OR AN ADJACENT BUILDING THAT IS OWNED BY A COUNTY
42 STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26 AND OPERATED BY THE
43 COUNTY STADIUM DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
44 ORGANIZATION THAT OCCUPIES THE FACILITY OR ADJACENT BUILDING.

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

11 ~~K.~~ K. Except as provided in subsection ~~P~~ P of this section, the
12 gross proceeds of sales or gross income derived from landscaping
13 activities is subject to tax under this section. Landscaping includes
14 installing lawns, grading or leveling ground, installing gravel or
15 boulders, planting trees and other plants, felling trees, removing or
16 mulching tree stumps, removing other imbedded plants, building irrigation
17 berms, installing railroad ties and installing underground sprinkler or
18 watering systems.

19 ~~L.~~ L. The portion of gross proceeds of sales or gross income
20 attributable to the actual direct costs of providing architectural or
21 engineering services that are incorporated in a contract is not subject to
22 tax under this section. For the purposes of this subsection, "direct
23 costs" means the portion of the actual costs that are directly expended in
24 providing architectural or engineering services.

25 ~~M.~~ M. Operating a landfill or a solid waste disposal facility is
26 not subject to taxation under this section, including filling, compacting
27 and creating vehicle access to and from cell sites within the landfill.
28 Constructing roads to a landfill or solid waste disposal facility and
29 constructing cells within a landfill or solid waste disposal facility may
30 be deemed prime contracting under this section.

31 ~~N.~~ N. The following apply in determining the taxable situs of
32 sales of manufactured buildings:

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

36 2. For sales in this state where the manufactured building dealer
37 does not contract to deliver the building to a setup site or does not
38 perform the setup, the taxable situs is the location of the dealership
39 where the building is delivered to the buyer.

40 3. For sales in this state where the manufactured building dealer
41 contracts to deliver the building to a setup site that is outside this
42 state, the situs is outside this state and the transaction is excluded
43 from tax.

44 ~~O.~~ O. The gross proceeds of sales or gross income attributable to
45 a written contract for design phase services or professional services,

1 executed before modification begins and with terms, conditions and pricing
2 of all of these services separately stated in the contract from those for
3 construction phase services, is not subject to tax under this section,
4 regardless of whether the services are provided sequential to or
5 concurrent with prime contracting activities that are subject to tax under
6 this section. This subsection does not include the gross proceeds of
7 sales or gross income attributable to construction phase services. For
8 the purposes of this subsection:

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

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

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

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

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

25 (ii) The amount of an adjustment, if any, to the guaranteed maximum
26 price as set in the contract for modification work. For the purposes of
27 this item, "guaranteed maximum price" means the amount guaranteed to be
28 the maximum amount due to a prime contractor for the performance of all
29 modification work for the project.

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

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

37 (e) Inspection to determine the dates of substantial completion or
38 final completion.

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

1 (g) Preparation of status reports after modification work has begun
2 detailing the progress of work performed, including preparation of any of
3 the following:

4 (i) Master schedule updates.

5 (ii) Modification work cash flow projection updates.

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

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

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

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

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

15 (j) Administration or supervision of any other activities for which
16 a prime contractor receives a certificate for payment or certificate for
17 final payment based on the progress of modification work performed on the
18 project.

19 2. "Design phase services" means services for developing and
20 completing a design for a project that are not construction phase
21 services, including the following:

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

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

28 (c) Preparing drawings and specifications for architectural program
29 documents, schematic design documents, design development documents,
30 modification work documents or documents that identify the scope of or
31 materials for the project.

32 (d) Preparing an initial schedule for the project, excluding the
33 preparation of updates to the master schedule after modification work has
34 begun.

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

38 (i) Labor, materials, machinery and equipment, tools, water, heat,
39 utilities, transportation and other facilities and services used in the
40 execution and completion of modification work, regardless of whether they
41 are temporary or permanent or whether they are incorporated in the
42 modifications.

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

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

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

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

9 (vi) Any bond and insurance premiums.

10 (vii) Any applicable taxes.

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

13 (f) Reviewing and evaluating cost estimates and project documents
14 to prepare recommendations on site use, site improvements, selection of
15 materials, building systems and equipment, modification feasibility,
16 availability of materials and labor, local modification activity as
17 related to schedules and time requirements for modification work.

18 (g) Preparing the plan and procedures for selection of
19 subcontractors, including any prequalification of subcontractor
20 candidates.

21 3. "Professional services" means architect services, engineer
22 services, geologist services, land surveying services or landscape
23 architect services that are within the scope of those services as provided
24 in title 32, chapter 1 and for which gross proceeds of sales or gross
25 income has not otherwise been deducted under subsection ~~L~~ L of this
26 section.

27 ~~P.~~ P. The gross proceeds of sales or gross income derived from a
28 contract with the owner of real property or improvements to real property
29 for the maintenance, repair, replacement or alteration of existing
30 property is not subject to tax under this section if the contract does not
31 include modification activities, except as specified in this subsection.
32 The gross proceeds of sales or gross income derived from a de minimis
33 amount of modification activity does not subject the contract or any part
34 of the contract to tax under this section. For the purposes of this
35 subsection:

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

39 2. Each contract is independent of any other contract, except that
40 any change order that directly relates to the scope of work of the
41 original contract shall be treated the same as the original contract under
42 this chapter, regardless of the amount of modification activities included
43 in the change order. If a change order does not directly relate to the
44 scope of work of the original contract, the change order shall be treated
45 as a new contract, with the tax treatment of any subsequent change order

1 to follow the tax treatment of the contract to which the scope of work of
2 the subsequent change order directly relates.

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

11 1. Community facilities districts, fire districts, county
12 television improvement districts, community park maintenance districts,
13 cotton pest control districts, hospital districts, pest abatement
14 districts, health service districts, agricultural improvement districts,
15 county free library districts, county jail districts, county stadium
16 districts, special health care districts, public health services
17 districts, theme park districts or revitalization districts.

18 2. Any special taxing district not specified in paragraph 1 of this
19 subsection if the district does not substantially engage in the
20 modification, maintenance, repair, replacement or alteration of surface or
21 subsurface improvements to land.

22 ~~Q.~~ R. Notwithstanding subsection ~~R.~~ S, paragraph 10 of this
23 section, a person owning real property who enters into a contract for sale
24 of the real property, who is responsible to the new owner of the property
25 for modifications made to the property in the period subsequent to the
26 transfer of title and who receives a consideration for the modifications
27 is considered a prime contractor solely for purposes of taxing the gross
28 proceeds of sale or gross income received for the modifications made
29 subsequent to the transfer of title. The original owner's gross proceeds
30 of sale or gross income received for the modifications shall be determined
31 according to the following methodology:

32 1. If any part of the contract for sale of the property specifies
33 amounts to be paid to the original owner for the modifications to be made
34 in the period subsequent to the transfer of title, the amounts are
35 included in the original owner's gross proceeds of sale or gross income
36 under this section. Proceeds from the sale of the property that are
37 received after transfer of title and that are unrelated to the
38 modifications made subsequent to the transfer of title are not considered
39 gross proceeds of sale or gross income from the modifications.

40 2. If the original owner enters into an agreement separate from the
41 contract for sale of the real property providing for amounts to be paid to
42 the original owner for the modifications to be made in the period
43 subsequent to the transfer of title to the property, the amounts are
44 included in the original owner's gross proceeds of sale or gross income
45 received for the modifications made subsequent to the transfer of title.

1 3. If the original owner is responsible to the new owner for
2 modifications made to the property in the period subsequent to the
3 transfer of title and derives any gross proceeds of sale or gross income
4 from the project subsequent to the transfer of title other than a delayed
5 disbursement from escrow unrelated to the modifications, it is presumed
6 that the amounts are received for the modifications made subsequent to the
7 transfer of title unless the contrary is established by the owner through
8 its books, records and papers kept in the regular course of business.

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

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

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

14 (a) For existing property that is properly classified as class two
15 property under section 42-12002, paragraph 1, subdivision (c) or paragraph
16 2, subdivision (c) and that is used for residential purposes, class three
17 property under section 42-12003 or class four property under section
18 42-12004, this paragraph does not apply if the contract amount is more
19 than twenty-five percent of the most recent full cash value established
20 under chapter 13, article 2 of this title as of the date of any bid for
21 the work or the date of the contract, whichever value is higher.

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

25 (c) Project elements may not be artificially separated from a
26 contract to cause a project to qualify as an alteration. The department
27 has the burden of proof that project elements have been artificially
28 separated from a contract.

29 (d) If a project for which the owner and the person performing the
30 work reasonably believed, at the inception of the contract, would be
31 treated as an alteration under this paragraph and, on completion of the
32 project, the project exceeded the applicable threshold described in either
33 subdivision (a) or (b) of this paragraph by not more than twenty-five
34 percent of the applicable threshold for any reason, the work performed
35 under the contract qualifies as an alteration.

36 (e) A change order that directly relates to the scope of work of
37 the original contract shall be treated as part of the original contract,
38 and the contract amount shall include any amount attributable to a change
39 order that directly relates to the scope of work of the original contract.

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

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

42 3. "Contractor" is synonymous with the term "builder" and means any
43 person or organization that undertakes to or offers to undertake to, or
44 purports to have the capacity to undertake to, or submits a bid to, or
45 does personally or by or through others, modify any building, highway,

1 road, railroad, excavation, manufactured building or other structure,
2 project, development or improvement, or to do any part of such a project,
3 including the erection of scaffolding or other structure or works in
4 connection with such a project, and includes subcontractors and specialty
5 contractors. For all purposes of taxation or deduction, this definition
6 shall govern without regard to whether or not such a contractor is acting
7 in fulfillment of a contract.

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

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

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

13 (b) Supervises, performs or coordinates the excavation and
14 completion of site improvements or the setup of a manufactured building,
15 including the contracting, if any, with any subcontractor or specialty
16 contractor for the completion of the contract.

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

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

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

23 (c) Any mobilization or demobilization related to a project
24 described in subsection ~~P~~ P of this section, such as the erection or
25 removal of temporary facilities to be used by those persons working on the
26 project.

27 7. "Modify" means to make a modification or cause a modification to
28 be made.

29 8. "Owner" means the person that holds title to the real property
30 or improvements to real property that is the subject of the work, as well
31 as an agent of the title holder and any person with the authority to
32 perform or authorize work on the real property or improvements, including
33 a tenant and a property manager. For the purposes of subsection ~~P~~ P of
34 this section, a person who is hired by a general contractor that is hired
35 by an owner, or a subcontractor of a general contractor that is hired by
36 an owner, is considered to be hired by the owner.

37 9. "Prime contracting" means engaging in business as a prime
38 contractor.

39 10. "Prime contractor" means a contractor who supervises, performs
40 or coordinates the modification of any building, highway, road, railroad,
41 excavation, manufactured building or other structure, project, development
42 or improvement, including the contracting, if any, with any subcontractors
43 or specialty contractors and who is responsible for the completion of the
44 contract. Except as provided in subsections E and ~~R~~ R of this section, a
45 person who owns real property, who engages one or more contractors to

1 modify that real property and who does not itself modify that real
2 property is not a prime contractor within the meaning of this paragraph
3 regardless of the existence of a contract for sale or the subsequent sale
4 of that real property.

5 11. "Replacement" means the removal from service of one component
6 or system of existing property or tangible personal property installed in
7 existing property, including machinery or equipment, and the installation
8 of a new component or system or new tangible personal property, including
9 machinery or equipment, that provides the same, a similar or an upgraded
10 design or functionality, regardless of the contract amount and regardless
11 of whether the existing component or system or existing tangible personal
12 property is physically removed from the existing property.

13 12. "Sale of a used manufactured building" does not include a lease
14 of a used manufactured building.

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

17 42-5159. Exemptions

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

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

24 2. Tangible personal property, the sale or use of which has already
25 been subjected to an excise tax at a rate equal to or exceeding the tax
26 imposed by this article under the laws of another state of the United
27 States. If the excise tax imposed by the other state is at a rate less
28 than the tax imposed by this article, the tax imposed by this article is
29 reduced by the amount of the tax already imposed by the other state.

30 3. Tangible personal property, the storage, use or consumption of
31 which the constitution or laws of the United States prohibit this state
32 from taxing or to the extent that the rate or imposition of tax is
33 unconstitutional under the laws of the United States.

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

38 5. Motor vehicle fuel and use fuel, the sales, distribution or use
39 of which in this state is subject to the tax imposed under title 28,
40 chapter 16, article 1, use fuel that is sold to or used by a person
41 holding a valid single trip use fuel tax permit issued under
42 section 28-5739, aviation fuel, the sales, distribution or use of which in
43 this state is subject to the tax imposed under section 28-8344, and jet
44 fuel, the sales, distribution or use of which in this state is subject to
45 the tax imposed under article 8 of this chapter.

1 6. Tangible personal property brought into this state by an
2 individual who was a nonresident at the time the property was purchased
3 for storage, use or consumption by the individual if the first actual use
4 or consumption of the property was outside this state, unless the property
5 is used in conducting a business in this state.

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

12 8. Purchases of:

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

15 (b) Livestock and poultry feed, salts, vitamins and other additives
16 sold to persons for use or consumption in the businesses of farming,
17 ranching and producing or feeding livestock or poultry or for use or
18 consumption in noncommercial boarding of livestock. For the purposes of
19 this paragraph, "poultry" includes ratites.

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

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

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

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

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

39 12. Materials that are purchased by or for publicly funded
40 libraries, including school district libraries, charter school libraries,
41 community college libraries, state university libraries or federal, state,
42 county or municipal libraries, for use by the public as follows:

- 1 (a) Printed or photographic materials, beginning August 7, 1985.
2 (b) Electronic or digital media materials, beginning July 17, 1994.
3 13. Tangible personal property purchased by:
4 (a) A hospital organized and operated exclusively for charitable
5 purposes, no part of the net earnings of which inures to the benefit of
6 any private shareholder or individual.
7 (b) A hospital operated by this state or a political subdivision of
8 this state.
9 (c) A licensed nursing care institution or a licensed residential
10 care institution or a residential care facility operated in conjunction
11 with a licensed nursing care institution or a licensed kidney dialysis
12 center, which provides medical services, nursing services or health
13 related services and is not used or held for profit.
14 (d) A qualifying health care organization, as defined in section
15 42-5001, if the tangible personal property is used by the organization
16 solely to provide health and medical related educational and charitable
17 services.
18 (e) A qualifying health care organization as defined in section
19 42-5001 if the organization is dedicated to providing educational,
20 therapeutic, rehabilitative and family medical education training for
21 blind and visually impaired children and children with multiple
22 disabilities from the time of birth to age twenty-one.
23 (f) A nonprofit charitable organization that has qualified under
24 section 501(c)(3) of the United States internal revenue code and that
25 engages in and uses such property exclusively in programs for persons with
26 mental or physical disabilities if the programs are exclusively for
27 training, job placement, rehabilitation or testing.
28 (g) A person that is subject to tax under this chapter by reason of
29 being engaged in business classified under section 42-5075, or a
30 subcontractor working under the control of a person that is engaged in
31 business classified under section 42-5075, if the tangible personal
32 property is any of the following:
33 (i) Incorporated or fabricated by the person into a structure,
34 project, development or improvement in fulfillment of a contract.
35 (ii) Incorporated or fabricated by the person into any project
36 described in section 42-5075, subsection ~~Q~~ P.
37 (iii) Used in environmental response or remediation activities
38 under section 42-5075, subsection B, paragraph 6.
39 (h) A person that is not subject to tax under section 42-5075 and
40 that has been provided a copy of a certificate described in section
41 42-5009, subsection L, if the property purchased is incorporated or
42 fabricated by the person into the real property, structure, project,
43 development or improvement described in the certificate.

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

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

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

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

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

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

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

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

35 15. Tangible personal property sold by:

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

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

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

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

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

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

21 18. Prescription eyeglasses and contact lenses.

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

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

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

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

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

41 24. Food and drink provided without monetary charge by a taxpayer
42 that is subject to section 42-5074 to its employees for their own
43 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

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

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

12 41. Wireless telecommunications equipment that is held for sale or
13 transfer to a customer as an inducement to enter into or continue a
14 contract for telecommunications services that are taxable under section
15 42-5064.

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

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

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

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

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

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

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

42 47. Tangible personal property purchased to be incorporated or
43 installed as part of environmental response or remediation activities
44 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 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.

44 7. Pipes or valves four inches in diameter or larger used to
45 transport oil, natural gas, artificial gas, water or coal slurry,

1 including compressor units, regulators, machinery and equipment, fittings,
2 seals and any other part that is used in operating the pipes or valves.

3 8. Aircraft, navigational and communication instruments and other
4 accessories and related equipment sold to:

5 (a) A person:

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

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

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

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

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

33 (b) Any foreign government.

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

41 9. Machinery, tools, equipment and related supplies used or
42 consumed directly in repairing, remodeling or maintaining aircraft,
43 aircraft engines or aircraft component parts by or on behalf of a
44 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,

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

11 20. Machinery and equipment that are used in commercially producing
12 livestock, livestock products or agricultural, horticultural, viticultural
13 or floricultural crops or products in this state, including production by
14 a person representing or working on behalf of such a person in a manner
15 described in section 42-5075, subsection ~~6~~ P, if the machinery and
16 equipment are used directly and primarily to prevent, monitor, control or
17 reduce air, water or land pollution.

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

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

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

30 (c) Any machinery or equipment purchased after the television
31 station has ceased analog broadcasting, or purchased after November 1,
32 2009, whichever occurs first.

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

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

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

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

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

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

28 4. PRIME CONTRACTING.

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

39 Sec. 13. Delayed repeal

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

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

3 42-6113. Distribution of revenue for county stadium district
4 from county excise taxes

5 A. BEGINNING THE FIRST DAY OF THE MONTH FOLLOWING THE EFFECTIVE
6 DATE OF THIS SECTION AND EACH MONTH THEREAFTER THROUGH THE MONTH OF THE
7 NOTICE PROVIDED PURSUANT TO SECTION 48-4238 OR DECEMBER 31, 2055,
8 WHICHEVER IS LATER, A COUNTY SHALL TRANSMIT FROM THE AMOUNT COLLECTED
9 PURSUANT TO THIS ARTICLE THE AMOUNT DETERMINED UNDER SUBSECTION B OF THIS
10 SECTION TO THE COUNTY STADIUM DISTRICT ESTABLISHED PURSUANT TO TITLE 48,
11 CHAPTER 26 FOR DEPOSIT IN THE COUNTY STADIUM DISTRICT FUND ESTABLISHED
12 PURSUANT TO SECTION 48-4231.

13 B. THE AMOUNT TO BE TRANSMITTED UNDER SUBSECTION A OF THIS SECTION
14 IS THE TOTAL AMOUNT OF COUNTY EXCISE TAXES COLLECTED PURSUANT TO SECTION
15 42-6105.01 ON BEHALF OF THE COUNTY FROM PERSONS ENGAGED IN THE FOLLOWING
16 BUSINESS ACTIVITIES AT, OR WITH RESPECT TO EVENTS HELD AT, A MAJOR LEAGUE
17 BASEBALL FACILITY OR AN ADJACENT BUILDING THAT IS OWNED BY A COUNTY
18 STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26 AND OPERATED BY THE
19 COUNTY STADIUM DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
20 ORGANIZATION THAT OCCUPIES THE FACILITY OR ADJACENT BUILDING:

21 1. SELLING TANGIBLE PERSONAL PROPERTY AT RETAIL.

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

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

33 4. PRIME CONTRACTING.

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

1 Sec. 15. Delayed repeal
2 Section 42-6113, Arizona Revised Statutes, as added by this act, is
3 repealed from and after December 31, 2055.

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

6 43-206. Urban revenue sharing fund; allocation; distribution;
7 withholding

8 A. The urban revenue sharing fund is established. Through fiscal
9 year 2022-2023, the fund consists of an amount equal to fifteen percent of
10 the net proceeds of the state income taxes for the fiscal year two years
11 preceding the current fiscal year. Beginning in fiscal year 2023-2024,
12 the fund consists of an amount equal to eighteen percent of the net
13 proceeds of the state income taxes for the fiscal year two years preceding
14 the current fiscal year. The fund shall be distributed to incorporated
15 cities and towns as provided in this section, except that a city or town
16 shall receive at least an amount equal to what a city or town with a
17 population of fifteen hundred or more persons would receive. The transfer
18 of net proceeds prescribed by section 49-282, subsection B does not affect
19 the calculation of net proceeds prescribed by this subsection.

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

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

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

35 E. On receipt of a certificate of default from the greater Arizona
36 development authority pursuant to section 41-2257 or 41-2258, the state
37 treasurer, to the extent not otherwise expressly prohibited by law, shall
38 withhold from the next succeeding distribution of monies pursuant to this
39 section due to the city or town the amount specified in the certificate of
40 default and immediately deposit the amount withheld in the greater Arizona
41 development authority revolving fund. The state treasurer shall continue
42 to withhold and deposit the monies until the authority certifies to the
43 state treasurer that the default has been cured. The state treasurer may
44 not withhold any amount that is necessary, as certified by the defaulting
45 political subdivision to the state treasurer and the authority, to make

1 any required deposits then due for the payment of principal and interest
2 on bonds of the political subdivision that were issued before the date of
3 the loan repayment agreement or bonds and that have been secured by a
4 pledge of distributions made pursuant to this section.

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

21 G. THE AMOUNT REPORTED TO THE DEPARTMENT PURSUANT TO SECTION
22 43-209, SUBSECTION D FOR A TAXABLE YEAR SHALL BE INCLUDED WHEN DETERMINING
23 THE NET PROCEEDS OF THE STATE INCOME TAXES FOR THE FISCAL YEAR FOR THE
24 PURPOSES OF THE DISTRIBUTION REQUIRED BY SUBSECTION A OF THIS SECTION.

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

27 43-209. Collection of tax on income of professional athletes
28 earned in this state; separate accounting for tax
29 revenue from professional football and baseball;
30 definitions

31 A. The department shall adopt and enforce rules for the collection
32 of tax under this title on the income earned for services rendered in this
33 state by professional athletes and employees of professional sport
34 franchise organizations.

35 B. On or before December 31 of each year each professional football
36 franchise organization AND PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION
37 that is domiciled in this state shall provide to the department the
38 federal taxpayer identification number, assigned pursuant to section 6109
39 of the internal revenue code, for each resident and nonresident employee
40 of the organization who rendered services in this state for the
41 organization during the calendar year. Unless due to reasonable cause and
42 not due to wilful neglect, a professional football franchise organization
43 OR PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION that fails to provide
44 taxpayer identification numbers pursuant to this subsection shall pay a
45 civil penalty of ~~five dollars~~ \$5 for each such number.

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

6 1. Any professional football franchise organization that is
7 domiciled in this state.

8 2. Resident and nonresident employees of any professional football
9 franchise organization that is domiciled in this state. For reporting
10 purposes under this subsection, the department shall include all income
11 reported on joint returns, regardless of the spouse to whom it is
12 attributable, and the income of an employee's spouse that is reported on a
13 separate return.

14 D. FOR THE PURPOSES OF SECTION 42-1116, SUBSECTION D, ON OR BEFORE
15 MARCH 31 OF EACH YEAR THROUGH THE DATE OF THE NOTICE PROVIDED PURSUANT TO
16 SECTION 48-4238 OR DECEMBER 31, 2056, WHICHEVER IS LATER, THE DEPARTMENT
17 SHALL SEPARATELY ACCOUNT FOR AND REPORT TO THE STATE TREASURER AS A SINGLE
18 AGGREGATE AMOUNT THE TOTAL NET REVENUES COLLECTED DURING THE PRECEDING
19 CALENDAR YEAR FROM THE IMPOSITION OF TAX UNDER THIS TITLE ON THE INCOME
20 FROM ALL SOURCES OF:

21 1. ANY PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT IS
22 DOMICILED IN THIS STATE.

23 2. RESIDENT AND NONRESIDENT EMPLOYEES OF ANY PROFESSIONAL BASEBALL
24 FRANCHISE ORGANIZATION THAT IS DOMICILED IN THIS STATE. FOR REPORTING
25 PURPOSES UNDER THIS SUBSECTION, THE DEPARTMENT SHALL INCLUDE ALL INCOME
26 REPORTED ON JOINT RETURNS, REGARDLESS OF THE SPOUSE TO WHOM IT IS
27 ATTRIBUTABLE, AND THE INCOME OF AN EMPLOYEE'S SPOUSE THAT IS REPORTED ON A
28 SEPARATE RETURN.

29 ~~D.~~ E. For THE purposes of this section: ~~;~~

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

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

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

42 48-4203. Powers and duties of board of directors; report;
43 conflict of interest

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

45 1. Adopt and use a corporate seal.

1 2. Sue and be sued.

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

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

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

11 6. Employ an executive director and administrative and clerical
12 employees, or contract for other management personnel, and prescribe the
13 terms and conditions of their employment as necessary to carry out the
14 purposes of the district.

15 7. Acquire by any lawful means and operate, maintain, encumber and
16 dispose of real and personal property and interests in property. A
17 district established under section 48-4202, subsection A may acquire real
18 property by eminent domain. A district established under section 48-4202,
19 subsection B shall not acquire real property by eminent domain. A
20 district established under section 48-4202, subsection C shall not acquire
21 or own real property or interests in real property.

22 8. Administer trusts declared or established for the district,
23 receive and hold in trust or otherwise property located in or out of this
24 state and, if not otherwise provided, dispose of the property for the
25 benefit of the district.

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

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

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

33 2. Enter into agreements with developers, contractors, tenants and
34 other users of all or part of a multipurpose facility as determined
35 appropriate.

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

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

43 1. Presentations to the governing bodies of the municipalities in
44 the county in which the district is located.

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

1 3. Printed or electronic materials that support the purposes of
2 this subsection.

3 D. The board of directors shall:

4 1. Appoint from among its members a ~~chairman~~ CHAIRPERSON, a
5 secretary and such other officers as may be necessary to conduct its
6 business. The board of directors may appoint the chief financial officer
7 of the county as the district treasurer of a countywide district
8 established under section 48-4202, subsection A. If the board does not
9 appoint the chief financial officer, the county treasurer is designated ex
10 officio as the treasurer. The board of directors of a district that is
11 established pursuant to section 48-4202, subsection B shall designate a
12 member of the board with financial management or accounting experience or
13 a person with whom the board has contracted for financial management as
14 treasurer of the district. The county treasurer is designated ex officio
15 as the treasurer of a district that is established pursuant to section
16 48-4202, subsection C.

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

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

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

25 1. Determine by agreement the distribution of revenues from
26 operating and using the multipurpose facilities among the municipalities
27 and any participating Indian tribe or community.

28 2. Report to the legislature by October 1 of each year regarding
29 the activities, operations, revenues and expenditures of the district for
30 the immediately preceding fiscal year. The board shall submit the annual
31 report to the president of the senate and the speaker of the house of
32 representatives and provide a copy of the report to the secretary of
33 state. At the discretion of the chairpersons of the senate finance
34 committee and the house of representatives ways and means committee, or
35 their successor committees, the committees may hold separate or joint
36 hearings to consider the annual report prepared by the district.

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

41 F. ON OR BEFORE NOVEMBER 1 OF EACH YEAR THROUGH 2055, THE BOARD OF
42 DIRECTORS OF A DISTRICT THAT IS ESTABLISHED PURSUANT TO SECTION 48-4202,
43 SUBSECTION A SHALL REPORT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE AND
44 THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING REGARDING ALL[:

1 1.] NEW PROJECTS FOR RECONSTRUCTING, EQUIPPING, REPAIRING,
2 MAINTAINING OR IMPROVING A MAJOR LEAGUE BASEBALL FACILITY OR ADJACENT
3 BUILDINGS THAT ARE PAID FOR BY THE DISTRICT FROM THE COUNTY STADIUM
4 DISTRICT FUND ESTABLISHED PURSUANT TO SECTION 48-4231. THE REPORT SHALL
5 INDICATE WHICH PROJECTS THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION
6 CONTRIBUTED MONIES TOWARD AND THE AMOUNT OF THE CONTRIBUTION.

7 [2. IMPROVEMENT PROJECTS IN PROGRESS AND COMPLETED IMPROVEMENT
8 PROJECTS TO A MAJOR LEAGUE BASEBALL FACILITY OR ADJACENT BUILDINGS. THE
9 REPORT SHALL INDICATE THE TOTAL AMOUNT SPENT PER PROJECT AND THE REVENUE
10 SOURCE FOR EACH AMOUNT SPENT.]

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

14 ~~G.~~ H. This state and political subdivisions of this state other
15 than the district are not liable for any financial or other obligations of
16 the district and the financial or other obligations do not constitute a
17 debt or liability of this state or any political subdivision of this
18 state, other than the district.

19 Sec. 19. Section 48-4231, Arizona Revised Statutes, is amended to
20 read:

21 48-4231. County stadium district fund

22 A. The district treasurer shall maintain a county stadium district
23 fund consisting of all monies received by the district, including:

24 1. Payments received from leasing, subleasing or renting property
25 owned, leased or controlled by the district.

26 2. Revenues received by the district from admissions and
27 concessions and other proceeds from events held at a stadium owned or
28 leased by the district.

29 3. Monies received from issuing and selling bonds under article 3
30 of this chapter.

31 4. MONIES TRANSMITTED PURSUANT TO SECTION 42-1116, SUBSECTION D AND
32 SECTIONS 42-5032.03, 42-6018 AND 42-6113. ANY INDIVIDUAL, INCLUDING AN
33 EMPLOYEE OF A PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION, IS SUBJECT TO
34 TITLE 38, CHAPTER 3, ARTICLE 8 RELATING TO CONFLICTS OF INTEREST FOR THE
35 PURPOSES OF SPENDING THE MONIES DESCRIBED IN THIS PARAGRAPH.

36 ~~4.~~ 5. Interest and other income received from investing monies in
37 the fund.

38 ~~5.~~ 6. Gifts, grants and donations received for that purpose from
39 any public or private source.

40 B. Monies in the fund may be used for any lawful purpose of the
41 district, INCLUDING RECONSTRUCTING, EQUIPPING, REPAIRING, MAINTAINING OR
42 IMPROVING A MAJOR LEAGUE BASEBALL FACILITY OR THE ADJACENT BUILDINGS THAT
43 ARE OWNED BY THE DISTRICT AND OPERATED BY THE DISTRICT OR THE PROFESSIONAL
44 BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES THE FACILITY OR ADJACENT
45 BUILDINGS.

1 C. The district treasurer may invest any unexpended monies in the
2 fund as provided in title 35, chapter 2. Notwithstanding section 35-323,
3 the district treasurer may invest and reinvest monies in the fund, other
4 than operating fund monies, in eligible investments with a maturity of
5 greater than five years. Interest and other income from investments shall
6 be credited to the fund. The district treasurer shall invest the monies
7 so as to mature at the times when the fund assets will be required for the
8 purposes of this article. If the liquid assets in the fund become
9 insufficient to meet the district's obligations, the board of directors
10 shall direct the district treasurer to liquidate sufficient securities to
11 meet all of the current obligations and immediately notify the auditor
12 general of the insufficiency, and the auditor general shall investigate
13 and audit the circumstances surrounding the depletion of the fund and
14 report the auditor general's findings to the board.

15 D. Except as provided by section 48-4231.01, the board of directors
16 shall cause an annual audit to be conducted of the fund by an independent
17 certified public accountant within one hundred twenty days after the end
18 of the fiscal year. The board shall immediately file a certified copy of
19 the audit with the auditor general. The auditor general may make such
20 further audits and examinations as the auditor general deems necessary,
21 but if the auditor general takes no official action within thirty days
22 after the audit is filed, the audit is deemed sufficient. The board of
23 directors shall pay all fees and costs of the certified public accountant
24 and auditor general under this subsection from the fund.

25 Sec. 20. Title 48, chapter 26, article 2, Arizona Revised Statutes,
26 is amended by adding section 48-4238, to read:

27 48-4238. Notice; penalty; revenue return; deposit and
28 distribution of penalty

29 A. IF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT
30 OCCUPIES THE MAJOR LEAGUE BASEBALL FACILITY OWNED BY THE DISTRICT AND
31 OPERATED BY THE DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
32 ORGANIZATION ON OR BEFORE THE EFFECTIVE DATE OF THIS SECTION LEAVES THE
33 FACILITY, THE DISTRICT TREASURER SHALL:

34 1. NOTIFY THE STATE TREASURER AND THE DEPARTMENT OF REVENUE THAT
35 THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES THE MAJOR
36 LEAGUE BASEBALL FACILITY OWNED BY THE DISTRICT AND OPERATED BY THE
37 DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION LEFT THE
38 FACILITY ON RECEIVING THE NOTICE:

39 (a) THE STATE TREASURER MAY NOT CONTINUE TO TRANSMIT MONIES
40 PURSUANT TO SECTION 42-1116, SUBSECTION D AND SECTIONS 42-5032.03, 42-6018
41 AND 42-6133.

42 (b) THE STATE TREASURER SHALL ASSESS A PENALTY AGAINST THE
43 PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION IN THE FOLLOWING AMOUNTS:

44 (i) \$10,000,000 IF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION
45 LEAVES THE FACILITY ON OR BEFORE OCTOBER 1, 2035.

1 (ii) \$5,000,000 IF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION
2 LEAVES THE FACILITY ON OR BEFORE OCTOBER 1, 2045.

3 (iii) \$1,000,000 IF THE PROFESSIONAL BASEBALL FRANCHISE
4 ORGANIZATION LEAVES THE FACILITY ON OR BEFORE OCTOBER 1, 2050.

5 (c) THE DEPARTMENT OF REVENUE SHALL STOP SEPARATELY ACCOUNTING FOR
6 THE REVENUES THAT WERE SUBJECT TO TRANSMISSION.

7 2. RETURN ANY REMAINING MONIES TRANSMITTED PURSUANT TO SECTION
8 42-1116, SUBSECTION D AND SECTIONS 42-5032.03, 42-6018 AND 42-6113 THAT
9 ARE UNEXPENDED AND UNENCUMBERED TO THE TAXING JURISDICTION FROM WHICH THE
10 MONIES WERE GENERATED.

11 B. THE STATE TREASURER SHALL DEPOSIT, PURSUANT TO SECTIONS 35-146
12 AND 35-147, FIFTY PERCENT OF THE PENALTY ASSESSED PURSUANT TO SUBSECTION
13 A, PARAGRAPH 1, SUBDIVISION (b) OF THIS SECTION IN THE STATE GENERAL FUND
14 AND DISTRIBUTE TWENTY-FIVE PERCENT OF THE PENALTY TO THE COUNTY IN WHICH
15 THE FACILITY IS LOCATED AND TWENTY-FIVE PERCENT OF THE PENALTY TO THE CITY
16 IN WHICH THE FACILITY IS LOCATED.

17 Sec. 21. Delayed repeal

18 Section 48-4238, as added by this act, is repealed from and after
19 December 31, 2055.

20 Sec. 22. Legislative findings

21 The legislature finds that the professional baseball franchise
22 organization that occupies the major league baseball facility and adjacent
23 buildings that are owned by the county stadium district pursuant to title
24 48, chapter 26, Arizona Revised Statutes, and operated by the district or
25 the professional baseball franchise organization will contribute at least
26 \$250,000,000 of the professional baseball franchise organization's own
27 monies for the purposes of reconstructing, equipping, repairing,
28 maintaining or improving the major league baseball facility and the
29 adjacent buildings.

30 Enroll and engross to conform

31 Amend title to conform

DENISE "MITZI" EPSTEIN

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