

State of Arizona  
House of Representatives  
Forty-sixth Legislature  
First Regular Session  
2003

CHAPTER 105

**HOUSE BILL 2059**

AN ACT

AMENDING SECTION 11-1133, ARIZONA REVISED STATUTES; REPEALING SECTION 42-280, ARIZONA REVISED STATUTES; AMENDING SECTIONS 42-1107, 42-2003, 42-2152, 42-5061, 42-5071, 42-5072, 42-5151 AND 42-11001, ARIZONA REVISED STATUTES; REPEALING SECTION 42-11127, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 11, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING A NEW SECTION 42-11127; AMENDING SECTIONS 42-13304, 42-14053, 42-14054, 42-15006, 42-16251, 42-16252, 42-19005, 43-304 AND 44-318, ARIZONA REVISED STATUTES; REPEALING TITLE 43, CHAPTER 3, ARTICLE 3, ARIZONA REVISED STATUTES; RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)



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

2 Section 1. Section 11-1133, Arizona Revised Statutes, is amended to  
3 read:

4 11-1133. Affidavit of legal value

5 A. Each deed evidencing a transfer of title and any contract relating  
6 to the sale of real property shall have appended at the time of recording an  
7 affidavit of the seller and the buyer to the transaction, or the agent of  
8 either the seller or buyer, or both, in a form approved by the department of  
9 revenue, who shall declare and jointly certify the following information:

- 10 1. The name and address of the buyer and seller.
- 11 2. The name and address where a tax statement may be sent.
- 12 3. The complete legal description of the property.
- 13 4. The situs address, if any, of the property.
- 14 5. The date of sale.
- 15 6. The total consideration paid for the property, the amount of cash  
16 down payment and whether or not the type of financing included cash, a new  
17 third party loan, a new loan from the seller, an assumption of an existing  
18 loan or an exchange or trade of property.
- 19 7. Whether or not the estimated market value of personal property  
20 received by the buyer equals five per cent or more of the total  
21 consideration.
- 22 8. The ~~tax code~~ ASSESSOR'S PARCEL number or numbers assigned to the  
23 real property by the county assessor or, in the case of a new parcel or  
24 parcels not yet assigned a ~~tax code~~ PARCEL number, the PARCEL number or  
25 numbers of the previous parcel or parcels from which the new parcel or  
26 parcels are created.
- 27 9. The conditions of the transaction including the relationship, if  
28 any, of the parties.
- 29 10. The use and description of the property and, in the case of a  
30 residential dwelling, whether the property is to be owner-occupied or rented.
- 31 11. The name and address of the person to contact regarding information  
32 contained on the affidavit.

33 B. The county recorder shall refuse to record any deed and any  
34 contract relating to the sale of real property if a complete affidavit of  
35 legal value is not appended unless the instrument bears a notation indicating  
36 an exemption pursuant to section 11-1134.

37 C. An affidavit is complete for purposes of this section if all of the  
38 required information is stated on the affidavit form or is indicated on the  
39 form as "not applicable".

40 Sec. 2. Repeal

41 Section 42-280, Arizona Revised Statutes, is repealed.

42 Sec. 3. Section 42-1107, Arizona Revised Statutes, is amended to read:

43 42-1107. Extension of time for filing returns

44 A. The department may, pursuant to administrative rule, grant an  
45 automatic extension of time for filing an income tax return under title 43

1 if at least ninety per cent of the tax liability disclosed by the taxpayer's  
2 return for the reporting period is paid and if the request for extension is  
3 received or mailed on or before the date the return is otherwise due to be  
4 filed. ~~If a return filed pursuant to an extension granted by the department~~  
5 ~~is not accompanied by a copy of the extension, or~~ If at least ninety per cent  
6 of the tax liability disclosed by the taxpayer's return for the reporting  
7 period has not been paid at the time of filing for the extension, the  
8 taxpayer is subject to a penalty of one-half of one per cent of the tax not  
9 paid for each thirty day period or fraction of a thirty day period elapsing  
10 between the date the return is otherwise due to be filed and the date the tax  
11 is paid, not to exceed a total of twenty-five per cent. If a taxpayer is  
12 subject to both of the penalties prescribed under this section and section  
13 42-1125, the maximum combined penalty that may be imposed on the taxpayer  
14 under both sections shall not exceed twenty-five per cent of the tax found  
15 to be remaining due. ~~If the extension has been lost or destroyed, the~~  
16 ~~taxpayer may file an affidavit of loss and request a duplicate of the~~  
17 ~~extension.~~ If in its judgment good cause exists, the department may grant  
18 a further extension or extensions of time for filing the return pursuant to  
19 administrative rule. No extension or extensions granted under this  
20 subsection may aggregate more than six months from the due date provided for  
21 the filing of returns.

22 B. If the taxpayer has been granted an extension or extensions of time  
23 within which to file a federal income tax return for any taxable year, the  
24 taxpayer is deemed to have been granted the same extension of time for filing  
25 the Arizona income tax return if the taxpayer has paid at least ninety per  
26 cent of the tax liability disclosed by the taxpayer's return for the  
27 reporting period. If at the time the taxpayer has been granted a federal  
28 extension or extensions the taxpayer is required to make the payment of at  
29 least ninety per cent under this section, the payment shall be in a manner  
30 prescribed by the department.

31 C. If a personal representative of an estate has obtained an extension  
32 of time for filing a federal estate tax return, the filing required by  
33 section 42-4002 shall be similarly extended until the end of the time period  
34 granted in the extension of time for filing the federal estate tax return.  
35 On obtaining the extension of time for filing the federal estate tax return  
36 the personal representative shall provide the department with a true copy of  
37 the instrument providing for the extension.

38 D. The department, for good cause, may grant a reasonable extension  
39 of time for filing an Arizona estate tax return. The extension granted under  
40 this subsection shall not be for more than six months from the date for  
41 filing the return provided by section 42-4002. A request for extension shall  
42 be in a form prescribed by the department.

43 E. The department, for good cause, may extend the time for making any  
44 other return required by chapter 5, articles 1, 4 and 5 of this title, and  
45 may grant such reasonable additional time in which to make the return as it

1 deems proper, but the time for filing the return shall not be extended beyond  
2 the first day of the third month next succeeding the regular due date of the  
3 return.

4 Sec. 4. Section 42-2003, Arizona Revised Statutes, is amended to read:  
5 42-2003. Authorized disclosure of confidential information

6 A. Confidential information relating to:

7 1. A taxpayer may be disclosed to the taxpayer, its successor in  
8 interest or a designee of the taxpayer who is authorized in writing by the  
9 taxpayer. A principal corporate officer of a parent corporation may execute  
10 a written authorization for a controlled subsidiary.

11 2. A corporate taxpayer may be disclosed to any principal officer, any  
12 person designated by a principal officer or any person designated in a  
13 resolution by the corporate board of directors or other similar governing  
14 body.

15 3. A partnership may be disclosed to any partner of the partnership.  
16 This exception does not include disclosure of confidential information of a  
17 particular partner unless otherwise authorized.

18 4. An estate may be disclosed to the personal representative of the  
19 estate and to any heir, next of kin or beneficiary under the will of the  
20 decedent if the department finds that the heir, next of kin or beneficiary  
21 has a material interest which will be affected by the confidential  
22 information.

23 5. A trust may be disclosed to the trustee or trustees, jointly or  
24 separately, and to the grantor or any beneficiary of the trust if the  
25 department finds that the grantor or beneficiary has a material interest  
26 which will be affected by the confidential information.

27 6. Any taxpayer may be disclosed if the taxpayer has waived any rights  
28 to confidentiality either in writing or on the record in any administrative  
29 or judicial proceeding.

30 7. The name and taxpayer identification numbers of persons issued  
31 direct payment permits may be publicly disclosed.

32 B. Confidential information may be disclosed to:

33 1. Any employee of the department whose official duties involve tax  
34 administration.

35 2. The office of the attorney general solely for its use in  
36 preparation for, or in an investigation which may result in, any proceeding  
37 involving tax administration before the department or any other agency or  
38 board of this state, or before any grand jury or any state or federal court.

39 3. The department of liquor licenses and control for its use in  
40 determining whether a spirituous liquor licensee has paid all transaction  
41 privilege taxes and affiliated excise taxes incurred as a result of the sale  
42 of spirituous liquor at the licensed establishment and imposed on the  
43 licensed establishments by this state and its political subdivisions.

44 4. Other state tax officials whose official duties require the  
45 disclosure for proper tax administration purposes if the information is

1 sought in connection with an investigation or any other proceeding conducted  
2 by the official. Any disclosure is limited to information of a taxpayer who  
3 is being investigated or who is a party to a proceeding conducted by the  
4 official.

5 5. The following agencies, officials and organizations, if they grant  
6 substantially similar privileges to the department for the type of  
7 information being sought, pursuant to statute and a written agreement between  
8 the department and the foreign country, agency, state, Indian tribe or  
9 organization:

10 (a) The United States internal revenue service, ALCOHOL AND TOBACCO  
11 TAX AND TRADE BUREAU OF THE UNITED STATES TREASURY, United States bureau of  
12 alcohol, tobacco, and firearms AND EXPLOSIVES OF THE UNITED STATES DEPARTMENT  
13 OF JUSTICE, United States drug enforcement agency and federal bureau of  
14 investigation.

15 (b) A state tax official of another state.

16 (c) An organization of states that operates an information exchange  
17 for tax administration purposes.

18 (d) An agency, official or organization of a foreign country with  
19 responsibilities that are comparable to those listed in subdivision (a), (b)  
20 or (c) of this paragraph.

21 (e) An agency, official or organization of an Indian tribal government  
22 with responsibilities comparable to the responsibilities of the agencies,  
23 officials or organizations identified in subdivision (a), (b) or (c) of this  
24 paragraph.

25 6. The auditor general, in connection with any audit of the department  
26 subject to the restrictions in section 42-2002, subsection C.

27 7. Any person to the extent necessary for effective tax administration  
28 in connection with:

29 (a) The processing, storage, transmission, destruction and  
30 reproduction of the information.

31 (b) The programming, maintenance, repair, testing and procurement of  
32 equipment for purposes of tax administration.

33 8. The office of administrative hearings relating to taxes  
34 administered by the department pursuant to section 42-1101, but the  
35 department shall not disclose any confidential information:

36 (a) Regarding income tax, withholding tax or estate tax.

37 (b) On any tax issue relating to information associated with the  
38 reporting of income tax, withholding tax or estate tax.

39 9. The United States treasury inspector general for tax administration  
40 for the purpose of reporting a violation of internal revenue code section  
41 7213A (26 United States Code section 7213A), unauthorized inspection of  
42 returns or return information.

43 10. The financial management service of the United States treasury  
44 department for use in the treasury offset program.

1 C. Confidential information may be disclosed in any state or federal  
2 judicial or administrative proceeding pertaining to tax administration if the  
3 taxpayer is a party to the proceeding.

4 D. Identity information may be disclosed for purposes of notifying  
5 persons entitled to tax refunds if the department is unable to locate the  
6 persons after reasonable effort.

7 E. The department, upon the request of any person, shall provide the  
8 names and addresses of bingo licensees as defined in section 5-401 or verify  
9 whether or not a person has a privilege license and number or withholding  
10 license and number.

11 F. A department employee, in connection with the official duties  
12 relating to any audit, collection activity or civil or criminal  
13 investigation, may disclose return information to the extent that disclosure  
14 is necessary to obtain information which is not otherwise reasonably  
15 available. These official duties include the correct determination of and  
16 liability for tax, the amount to be collected or the enforcement of other  
17 state tax revenue laws.

18 G. If an organization is exempt from this state's income tax as  
19 provided in section 43-1201 for any taxable year, the name and address of the  
20 organization and the application filed by the organization upon which the  
21 department made its determination for exemption together with any papers  
22 submitted in support of the application and any letter or document issued by  
23 the department concerning the application are open to public inspection.

24 H. Confidential information relating to transaction privilege tax, use  
25 tax, severance tax, jet fuel excise and use tax and rental occupancy tax may  
26 be disclosed to any county, city or town tax official if the information  
27 relates to a taxpayer who is or may be taxable by the county, city or town.  
28 Any taxpayer information released by the department to the county, city or  
29 town:

30 1. May only be used for internal purposes.

31 2. May not be disclosed to the public in any manner that does not  
32 comply with confidentiality standards established by the department. The  
33 county, city or town shall agree in writing with the department that any  
34 release of confidential information that violates the confidentiality  
35 standards adopted by the department will result in the immediate suspension  
36 of any rights of the county, city or town to receive taxpayer information  
37 under this subsection.

38 I. The department may disclose statistical information gathered from  
39 confidential information if it does not disclose confidential information  
40 attributable to any one taxpayer. In order to comply with the requirements  
41 of section 42-5029, subsection A, paragraph 3, the department may disclose  
42 to the state treasurer statistical information gathered from confidential  
43 information, even if it discloses confidential information attributable to  
44 a taxpayer.

1 J. The department may disclose the aggregate amounts of any tax  
2 credit, tax deduction or tax exemption enacted after January 1, 1994.  
3 Information subject to disclosure under this subsection shall not be  
4 disclosed if a taxpayer demonstrates to the department that such information  
5 would give an unfair advantage to competitors.

6 K. Except as provided in section 42-2002, subsection B, confidential  
7 information, described in section 42-2001, paragraph 2, subdivision (a), item  
8 (iii), may be disclosed to law enforcement agencies for law enforcement  
9 purposes.

10 L. The department may provide transaction privilege tax license  
11 information to property tax officials in a county for the purpose of  
12 identification and verification of the tax status of commercial property.

13 M. The department may provide transaction privilege tax, luxury tax,  
14 use tax, property tax and severance tax information to the ombudsman-citizens  
15 aide pursuant to title 41, chapter 8, article 5.

16 N. Except as provided in section 42-2002, subsection C, a court may  
17 order the department to disclose confidential information pertaining to a  
18 party to an action. An order shall be made only upon a showing of good cause  
19 and that the party seeking the information has made demand upon the taxpayer  
20 for the information.

21 O. This section does not prohibit the disclosure by the department of  
22 any information or documents submitted to the department by a bingo licensee.  
23 Before disclosing the information the department shall obtain the name and  
24 address of the person requesting the information.

25 P. If the department is required or permitted to disclose confidential  
26 information, it may charge the person or agency requesting the information  
27 for the reasonable cost of its services.

28 Q. Except as provided in section 42-2002, subsection C, the department  
29 of revenue shall release confidential information as requested by the  
30 department of economic security pursuant to section 42-1122 or 46-291.  
31 Information disclosed under this subsection is limited to the same type of  
32 information that the United States internal revenue service is authorized to  
33 disclose under section 6103(1)(6) of the internal revenue code.

34 R. To comply with the requirements of section 42-5031, the department  
35 may disclose to the state treasurer, to the county stadium district board of  
36 directors and to any city or town tax official that is part of the county  
37 stadium district confidential information attributable to a taxpayer's  
38 business activity conducted in the county stadium district.

39 S. The department shall release confidential information as requested  
40 by the attorney general for purposes of determining compliance with and  
41 enforcing section 44-7101, the master settlement agreement referred to  
42 therein and subsequent agreements to which the state is a party that amend  
43 or implement the master settlement agreement. Information disclosed under  
44 this subsection is limited to luxury tax information relating to tobacco

1 manufacturers, distributors, wholesalers and retailers and information  
2 collected by the department pursuant to section 44-7101(2)(j).

3 T. For proceedings before the department, the office of administrative  
4 hearings, the board of tax appeals or any state or federal court involving  
5 penalties that were assessed against a return preparer or electronic return  
6 preparer pursuant to section 42-1103.02 or 42-1125.01, confidential  
7 information may be disclosed only before the judge or administrative law  
8 judge adjudicating the proceeding, the parties to the proceeding and the  
9 parties' representatives in the proceeding prior to its introduction into  
10 evidence in the proceeding. The confidential information may be introduced  
11 as evidence in the proceeding only if the taxpayer's name, the names of any  
12 dependents listed on the return, all social security numbers, the taxpayer's  
13 address, the taxpayer's signature and any attachments containing any of the  
14 foregoing information are redacted and if either:

15 1. The treatment of an item reflected on such return is or may be  
16 related to the resolution of an issue in the proceeding.

17 2. Such return or return information relates or may relate to a  
18 transactional relationship between a person who is a party to the proceeding  
19 and the taxpayer which directly affects the resolution of an issue in the  
20 proceeding.

21 Sec. 5. Section 42-2152, Arizona Revised Statutes, is amended to read:

22 42-2152. List and forms of agencies having authority over  
23 starting and conducting business

24 The department of revenue shall:

25 ~~1. At least once each year, contact each agency, board, commission or~~  
26 ~~department of this state to determine whether it exercises authority over~~  
27 ~~some aspect of starting or conducting a business operation generally or~~  
28 ~~specific classes of business operations.~~

29 ~~2. Obtain and keep on file copies of forms commonly in use by any~~  
30 ~~agency, board, commission or department relating to starting or conducting~~  
31 ~~a business.~~

32 ~~3. Prepare and update annually~~ 1. OBTAIN AND KEEP ON FILE a list of  
33 the agencies, boards, commissions and departments, their addresses and  
34 telephone numbers and the subjects over which they have authority.

35 ~~4.~~ 2. Provide a copy of this list to any person requesting a form  
36 under section 42-2151.

37 ~~5.~~ 3. On request, provide any person with copies of any of the forms  
38 commonly in use which it has on file.

39 Sec. 6. Section 42-5061, Arizona Revised Statutes, is amended to read:

40 42-5061. Retail classification; definitions

41 A. The retail classification is comprised of the business of selling  
42 tangible personal property at retail. The tax base for the retail  
43 classification is the gross proceeds of sales or gross income derived from  
44 the business. The tax imposed on the retail classification does not apply  
45 to the gross proceeds of sales or gross income from:

- 1           1. Professional or personal service occupations or businesses which  
2 involve sales or transfers of tangible personal property only as  
3 inconsequential elements.
- 4           2. Services rendered in addition to selling tangible personal property  
5 at retail.
- 6           3. Sales of warranty or service contracts. The storage, use or  
7 consumption of tangible personal property provided under the conditions of  
8 such contracts is subject to tax under section 42-5156.
- 9           4. Sales of tangible personal property by any nonprofit organization  
10 organized and operated exclusively for charitable purposes and recognized by  
11 the United States internal revenue service under section 501(c)(3) of the  
12 internal revenue code.
- 13           5. Sales to persons engaged in business classified under the  
14 restaurant classification of articles used by human beings for food, drink  
15 or condiment, whether simple, mixed or compounded.
- 16           6. Business activity which is properly included in any other business  
17 classification which is taxable under article 1 of this chapter.
- 18           7. The sale of stocks and bonds.
- 19           8. Drugs and medical oxygen, including delivery hose, mask or tent,  
20 regulator and tank, on the prescription of a member of the medical, dental  
21 or veterinarian profession who is licensed by law to administer such  
22 substances.
- 23           9. Prosthetic appliances as defined in section 23-501 prescribed or  
24 recommended by a health professional licensed pursuant to title 32, chapter  
25 7, 8, 11, 13, 14, 15, 16, 17 or 29.
- 26           10. Insulin, insulin syringes and glucose test strips.
- 27           11. Prescription eyeglasses or contact lenses.
- 28           12. Hearing aids as defined in section 36-1901.
- 29           13. Durable medical equipment which has a centers for medicare and  
30 medicaid services common procedure code, is designated reimbursable by  
31 medicare, is prescribed by a person who is licensed under title 32, chapter  
32 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is primarily and  
33 customarily used to serve a medical purpose, is generally not useful to a  
34 person in the absence of illness or injury and is appropriate for use in the  
35 home.
- 36           14. Sales to nonresidents of this state for use outside this state if  
37 the vendor ships or delivers the tangible personal property out of this  
38 state.
- 39           15. Food, as provided in and subject to the conditions of article 3 of  
40 this chapter and section 42-5074.
- 41           16. Items purchased with United States department of agriculture food  
42 stamp coupons issued under the food stamp act of 1977 (P.L. 95-113; 91 Stat.  
43 958) or food instruments issued under section 17 of the child nutrition act  
44 (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42 United States Code  
45 section 1786).

1 17. Textbooks by any bookstore that are required by any state  
2 university or community college.

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

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

12 20. Lottery tickets or shares pursuant to title 5, chapter 5,  
13 article 1.

14 21. The sale of precious metal bullion and monetized bullion to the  
15 ultimate consumer, but the sale of coins or other forms of money for  
16 manufacture into jewelry or works of art is subject to the tax. In this  
17 paragraph:

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

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

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

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

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

37 25. Tangible personal property sold to:

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

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

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

1 visually impaired and multihandicapped children from the time of birth to age  
2 twenty-one.

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

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

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

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

18 27. Tangible personal property sold to a person that is subject to tax  
19 under this article by reason of being engaged in business classified under  
20 the prime contracting classification under section 42-5075, or to a  
21 subcontractor working under the control of a prime contractor that is subject  
22 to tax under article 1 of this chapter, if the property so sold is any of the  
23 following:

24 (a) Incorporated or fabricated by the person into any real property,  
25 structure, project, development or improvement as part of the business.

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

28 (c) Incorporated or fabricated by the person into any lake facility  
29 development in a commercial enhancement reuse district under conditions  
30 prescribed for the deduction allowed by section 42-5075, subsection B,  
31 paragraph 8.

32 28. The sale of a motor vehicle to:

33 (a) A nonresident of this state if the purchaser's state of residence  
34 does not allow a corresponding use tax exemption to the tax imposed by  
35 article 1 of this chapter and if the nonresident has secured a special  
36 thirty-day nonresident registration of the vehicle by applying according to  
37 section 28-2154.

38 (b) An enrolled member of an Indian tribe who resides on the Indian  
39 reservation established for that tribe.

40 29. Tangible personal property purchased in this state by a nonprofit  
41 charitable organization that has qualified under section 501(c)(3) of the  
42 United States internal revenue code and that engages in and uses such  
43 property exclusively for training, job placement or rehabilitation programs  
44 or testing for mentally or physically handicapped persons.

1           30. Sales of tangible personal property by a nonprofit organization  
2 that is exempt from taxation under section 501(c)(3), 501(c)(4) or 501(c)(6)  
3 of the internal revenue code if the organization is associated with a major  
4 league baseball team or a national touring professional golfing association  
5 and no part of the organization's net earnings inures to the benefit of any  
6 private shareholder or individual.

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

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

18           33. Sales of seeds, seedlings, roots, bulbs, cuttings and other  
19 propagative material to persons who use those items to commercially produce  
20 agricultural, horticultural, viticultural or floricultural crops in this  
21 state.

22           34. Machinery, equipment, technology or related supplies that are only  
23 useful to assist a person who is physically disabled as defined in section  
24 46-191, has a developmental disability as defined in section 36-551 or has  
25 a head injury as defined in section 41-3201 to be more independent and  
26 functional.

27           35. Sales of tangible personal property that is shipped or delivered  
28 directly to a destination outside the United States for use in that foreign  
29 country.

30           36. Sales of natural gas or liquefied petroleum gas used to propel a  
31 motor vehicle.

32           37. Paper machine clothing, such as forming fabrics and dryer felts,  
33 sold to a paper manufacturer and directly used or consumed in paper  
34 manufacturing.

35           38. Coal, petroleum, coke, natural gas, virgin fuel oil and electricity  
36 sold to a qualified environmental technology manufacturer, producer or  
37 processor as defined in section 41-1514.02 and directly used or consumed in  
38 the generation or provision of on-site power or energy solely for  
39 environmental technology manufacturing, producing or processing or  
40 environmental protection. This paragraph shall apply for fifteen full  
41 consecutive calendar or fiscal years from the date the first paper  
42 manufacturing machine is placed in service. In the case of an environmental  
43 technology manufacturer, producer or processor who does not manufacture  
44 paper, the time period shall begin with the date the first manufacturing,  
45 processing or production equipment is placed in service.

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

13           40. Through December 31, 1994, personal property liquidation  
14 transactions, conducted by a personal property liquidator. From and after  
15 December 31, 1994, personal property liquidation transactions shall be  
16 taxable under this section provided that nothing in this subsection shall be  
17 construed to authorize the taxation of casual activities or transactions  
18 under this chapter. In this paragraph:

19           (a) "Personal property liquidation transaction" means a sale of  
20 personal property made by a personal property liquidator acting solely on  
21 behalf of the owner of the personal property sold at the dwelling of the  
22 owner or upon the death of any owner, on behalf of the surviving spouse, if  
23 any, any devisee or heir or the personal representative of the estate of the  
24 deceased, if one has been appointed.

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

27           41. Sales of food, drink and condiment for consumption within the  
28 premises of any prison, jail or other institution under the jurisdiction of  
29 the state department of corrections, the department of public safety, the  
30 department of juvenile corrections or a county sheriff.

31           42. A motor vehicle and any repair and replacement parts and tangible  
32 personal property becoming a part of such motor vehicle sold to a motor  
33 carrier who is subject to a fee prescribed in title 28, chapter 16, article  
34 4 and who is engaged in the business of leasing or renting such property.

35           43. Livestock and poultry feed, salts, vitamins and other additives for  
36 livestock or poultry consumption that are sold to persons who are engaged in  
37 producing livestock, poultry, or livestock or poultry products or who are  
38 engaged in feeding livestock or poultry commercially. For purposes of this  
39 paragraph, "poultry" includes ratites.

40           44. Sales of implants used as growth promotants and injectable  
41 medicines, not already exempt under paragraph 8 of this subsection, for  
42 livestock or poultry owned by or in possession of persons who are engaged in  
43 producing livestock, poultry, or livestock or poultry products or who are  
44 engaged in feeding livestock or poultry commercially. For purposes of this  
45 paragraph, "poultry" includes ratites.

1           45. Sales of motor vehicles at auction to nonresidents of this state  
2 for use outside this state if the vehicles are shipped or delivered out of  
3 this state, regardless of where title to the motor vehicles passes or its  
4 free on board point.

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

11           47. Sales of alternative fuel, as defined in section 1-215, to a used  
12 oil fuel burner who has received a permit to burn used oil or used oil fuel  
13 under section 49-426 or 49-480.

14           48. Sales of materials that are purchased by or for publicly funded  
15 libraries including school district libraries, charter school libraries,  
16 community college libraries, state university libraries or federal, state,  
17 county or municipal libraries for use by the public as follows:

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

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

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

28           50. Sales of alternative fuel vehicles, as defined in section 43-1086,  
29 if the vehicle was manufactured as a diesel fuel vehicle and converted to  
30 operate on alternative fuel and equipment that is installed in a conventional  
31 diesel fuel motor vehicle to convert the vehicle to operate on an alternative  
32 fuel, as defined in section 1-215.

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

36           52. Sales of tangible personal property to be incorporated or installed  
37 as part of environmental response or remediation activities under section  
38 42-5075, subsection B, paragraph 6.

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

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 property  
4 shall be deducted from the tax base:

5           1. Machinery, or equipment, used directly in manufacturing,  
6 processing, fabricating, job printing, refining or metallurgical operations.  
7 The terms "manufacturing", "processing", "fabricating", "job printing",  
8 "refining" and "metallurgical" as used in this paragraph refer to and include  
9 those operations commonly understood within their ordinary meaning.  
10 "Metallurgical operations" includes leaching, milling, precipitating,  
11 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, including  
14 equipment required to prepare the materials for extraction and handling,  
15 loading or transporting such extracted material to the surface. "Mining"  
16 includes underground, surface and open pit operations for extracting ores and  
17 minerals.

18           3. Tangible personal property sold to persons engaged in business  
19 classified under the telecommunications classification and consisting of  
20 central office switching equipment, switchboards, private branch exchange  
21 equipment, microwave radio equipment and carrier equipment including optical  
22 fiber, coaxial cable and other transmission media which are components of  
23 carrier systems.

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

28           5. Neat animals, horses, asses, sheep, ratites, swine or goats used  
29 or to be used as breeding or production stock, including sales of breedings  
30 or ownership shares in such animals used for breeding or production.

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

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

37           (a) A person holding a federal certificate of public convenience and  
38 necessity, a supplemental air carrier certificate under federal aviation  
39 regulations (14 Code of Federal Regulations part 121) or a foreign air  
40 carrier permit for air transportation for use as or in conjunction with or  
41 becoming a part of aircraft to be used to transport persons, property or  
42 United States mail in intrastate, interstate or foreign commerce.

43           (b) Any foreign government for use by such government outside of this  
44 state.

1 (c) Persons who are not residents of this state and who will not use  
2 such property in this state other than in removing such property from this  
3 state. This subdivision also applies to corporations that are not  
4 incorporated in this state, regardless of maintaining a place of business in  
5 this state, if the principal corporate office is located outside this state  
6 and the property will not be used in this state other than in removing the  
7 property from this state.

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

12 9. Railroad rolling stock, rails, ties and signal control equipment  
13 used directly to transport persons or property.

14 10. Machinery or equipment used directly to drill for oil or gas or  
15 used directly in the process of extracting oil or gas from the earth for  
16 commercial purposes.

17 11. Buses or other urban mass transit vehicles which are used directly  
18 to transport persons or property for hire or pursuant to a governmentally  
19 adopted and controlled urban mass transportation program and which are sold  
20 to bus companies holding a federal certificate of convenience and necessity  
21 or operated by any city, town or other governmental entity or by any person  
22 contracting with such governmental entity as part of a governmentally adopted  
23 and controlled program to provide urban mass transportation.

24 12. Groundwater measuring devices required under section 45-604.

25 13. New machinery and equipment consisting of tractors, tractor-drawn  
26 implements, self-powered implements, machinery and equipment necessary for  
27 extracting milk, and machinery and equipment necessary for cooling milk and  
28 livestock, and drip irrigation lines not already exempt under paragraph 6 of  
29 this subsection and that are used for commercial production of agricultural,  
30 horticultural, viticultural and floricultural crops and products in this  
31 state. In this paragraph:

32 (a) "New machinery and equipment" means machinery and equipment which  
33 have never been sold at retail except pursuant to leases or rentals which do  
34 not total two years or more.

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

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

1 or psychology, computer software research that is not included in the  
2 definition of research and development, or other nontechnological activities  
3 or technical services.

4 15. Machinery and equipment that are purchased by or on behalf of the  
5 owners of a soundstage complex and primarily used for motion picture,  
6 multimedia or interactive video production in the complex. This paragraph  
7 applies only if the initial construction of the soundstage complex begins  
8 after June 30, 1996 and before January 1, 2002 and the machinery and  
9 equipment are purchased before the expiration of five years after the start  
10 of initial construction. For purposes of this paragraph:

11 (a) "Motion picture, multimedia or interactive video production"  
12 includes products for theatrical and television release, educational  
13 presentations, electronic retailing, documentaries, music videos, industrial  
14 films, CD-ROM, video game production, commercial advertising and television  
15 episode production and other genres that are introduced through developing  
16 technology.

17 (b) "Soundstage complex" means a facility of multiple stages including  
18 production offices, construction shops and related areas, prop and costume  
19 shops, storage areas, parking for production vehicles and areas that are  
20 leased to businesses that complement the production needs and orientation of  
21 the overall facility.

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

25 (a) Any direct broadcast satellite television or data transmission  
26 service that operates pursuant to 47 Code of Federal Regulations parts 25 and  
27 100.

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

30 (i) Over two-thirds of the transmissions, measured in megabytes,  
31 transmitted by the facility during the test period were transmitted to or on  
32 behalf of one or more direct broadcast satellite television or data  
33 transmission services that operate pursuant to 47 Code of Federal Regulations  
34 parts 25 and 100.

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

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

44 17. Clean rooms that are used for manufacturing, processing,  
45 fabrication or research and development, as defined in paragraph 14 of this

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

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

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

15 18. Machinery and equipment used directly in the feeding of poultry,  
16 the environmental control of housing for poultry, the movement of eggs within  
17 a production and packaging facility or the sorting or cooling of eggs. This  
18 exemption does not apply to vehicles used for transporting eggs.

19 19. Machinery or equipment, including related structural components,  
20 that is employed in connection with manufacturing, processing, fabricating,  
21 job printing, refining, mining, natural gas pipelines, metallurgical  
22 operations, telecommunications, producing or transmitting electricity or  
23 research and development and that is used directly to meet or exceed rules  
24 or regulations adopted by the federal energy regulatory commission, the  
25 United States environmental protection agency, the United States nuclear  
26 regulatory commission, the Arizona department of environmental quality or a  
27 political subdivision of this state to prevent, monitor, control or reduce  
28 land, water or air pollution.

29 20. Machinery and equipment that are sold to a person engaged in the  
30 commercial production of livestock, livestock products or agricultural,  
31 horticultural, viticultural or floricultural crops or products in this state  
32 and that are used directly and primarily to prevent, monitor, control or  
33 reduce air, water or land pollution.

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

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

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

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

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

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

10 2. Janitorial equipment and hand tools.

11 3. Office equipment, furniture and supplies.

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

15 5. Motor vehicles required to be licensed by this state, except buses  
16 or other urban mass transit vehicles specifically exempted pursuant to  
17 subsection B, paragraph 11 of this section, without regard to the use of such  
18 motor vehicles.

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

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

22 ~~D. In computing the tax base, gross proceeds of sales or gross income~~  
23 ~~from retail sales of automobiles does not include any amount attributable to~~  
24 ~~federal excise taxes imposed by 26 United States Code section 4001.~~

25 ~~E. 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 the  
27 gross proceeds of sales or gross income derived from sales of machinery,  
28 equipment, materials and other tangible personal property used directly and  
29 predominantly to construct a qualified environmental technology  
30 manufacturing, producing or processing facility as described in section  
31 41-1514.02. This subsection applies for ten full consecutive calendar or  
32 fiscal years after the start of initial construction.

33 ~~F. 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 Code  
36 section 4051.

37 ~~G. F.~~ In computing the tax base, gross proceeds of sales or gross  
38 income from the sale of use fuel, as defined in section 28-5601, does not  
39 include any amount attributable to federal excise taxes imposed by 26 United  
40 States Code section 4091.

41 ~~H. G.~~ If a person is engaged in an occupation or business to which  
42 subsection A of this section applies, the person's books shall be kept so as  
43 to show separately the gross proceeds of sales of tangible personal property  
44 and the gross income from sales of services, and if not so kept the tax shall

1 be imposed on the total of the person's gross proceeds of sales of tangible  
2 personal property and gross income from services.

3 ~~F.~~ H. If a person is engaged in the business of selling tangible  
4 personal property at both wholesale and retail, the tax under this section  
5 applies only to the gross proceeds of the sales made other than at wholesale  
6 if the person's books are kept so as to show separately the gross proceeds  
7 of sales of each class, and if the books are not so kept, the tax under this  
8 section applies to the gross proceeds of every sale so made.

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

- 17 1. Transporting classification.
- 18 2. Utility UTILITIES classification.
- 19 3. Telecommunications classification.
- 20 4. Pipeline classification.
- 21 5. Private car line classification.
- 22 6. Publication classification.
- 23 7. Job printing classification.
- 24 8. Prime contracting classification.
- 25 9. Owner builder sales classification.
- 26 10. Restaurant classification.

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

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

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

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

41 4. Sales of overhead materials or other tangible personal property to  
42 a manufacturer, modifier, assembler or repairer if the gross proceeds of  
43 sales or gross income derived from the property by the manufacturer,  
44 modifier, assembler or repairer will be exempt under paragraph 3 of this  
45 subsection.

1           ~~T.~~ K. There shall be deducted from the tax base fifty per cent of the  
2 gross proceeds or gross income from any sale of tangible personal property  
3 made directly to the United States government or its departments or agencies,  
4 which is not deducted under subsection ~~K~~ J of this section.

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

10           ~~N.~~ M. In computing the tax base, gross proceeds of sales or gross  
11 income does not include:

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

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

15           ~~O.~~ N. There shall be deducted from the tax base the amount received  
16 from sales of solar energy devices, but the deduction shall not exceed five  
17 thousand dollars for each solar energy device. Before deducting any amount  
18 under this subsection, the retailer shall register with the department as a  
19 solar energy retailer. By registering, the retailer acknowledges that it  
20 will make its books and records relating to sales of solar energy devices  
21 available to the department for examination.

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

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

34           ~~R.~~ Q. Retail sales of prepaid calling cards or prepaid authorization  
35 numbers for telecommunications services, including sales of reauthorization  
36 of a prepaid card or authorization number, are subject to tax under this  
37 section.

38           ~~S.~~ R. For the purposes of this section, the diversion of gas from a  
39 pipeline by a person engaged in the business of operating a natural or  
40 artificial gas pipeline, for the sole purpose of fueling compressor equipment  
41 to pressurize the pipeline, is not a sale of the gas to the operator of the  
42 pipeline.

43           ~~T.~~ S. If a seller is entitled to a deduction pursuant to subsection  
44 B, paragraph 16, subdivision (b) of this section, the department may require  
45 the purchaser to establish that the requirements of subsection B, paragraph

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

13 ~~U.~~ T. For purposes of section 42-5032.01, the department shall  
14 separately account for revenues collected under the retail classification  
15 from businesses selling tangible personal property at retail:

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

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

22 ~~V.~~ U. For the purposes of this section:

23 1. "Aircraft" includes:

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

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

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

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

38 ~~W.~~ V. For purposes of subsection ~~K~~ J of this section:

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

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

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

3           4. "Overhead materials" means tangible personal property, the gross  
4 proceeds of sales or gross income derived from which would otherwise be  
5 included in the retail classification, and which are used or consumed in the  
6 performance of a contract, the cost of which is charged to an overhead  
7 expense account and allocated to various contracts based upon generally  
8 accepted accounting principles and consistent with government contract  
9 accounting 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 of supplies  
14 or services that, in whole or in part, are necessary to the performance of  
15 one or more government contracts, or under which any portion of the  
16 contractor's obligation under one or more government contracts is performed,  
17 undertaken or assumed and that includes provisions causing title to overhead  
18 materials or other tangible personal property used in the performance of 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. 7. Section 42-5071, Arizona Revised Statutes, is amended to read:

23          42-5071. Personal property rental classification

24          A. The personal property rental classification is comprised of the  
25 business of leasing or renting tangible personal property for a  
26 consideration. The tax does not apply to:

27           1. Leasing or renting films, tapes or slides used by theaters or  
28 movies, which are engaged in business under the amusement classification, or  
29 used by television stations or radio stations.

30           2. Activities engaged in by the Arizona exposition and state fair  
31 board or county fair commissions in connection with events sponsored by such  
32 entities.

33           3. Leasing or renting tangible personal property by a parent  
34 corporation to a subsidiary corporation or by a subsidiary corporation to  
35 another subsidiary of the same parent corporation if taxes were paid under  
36 this chapter on the gross proceeds or gross income accruing from the initial  
37 sale of the tangible personal property. For THE purposes of this paragraph,  
38 "subsidiary" means a corporation of which at least eighty per cent of the  
39 voting shares are owned by the parent corporation.

40           4. Operating coin operated washing, drying and dry cleaning machines  
41 or coin operated car washing machines at establishments for the use of such  
42 machines.

43           ~~5. Leasing or renting semitrailers manufactured in Arizona, as defined~~  
44 ~~in section 28-101, to a person who holds a United States department of~~  
45 ~~transportation number for use in interstate commerce.~~

1           ~~6.~~ 5. Leasing or renting tangible personal property for incorporation  
2 into or comprising any part of a qualified environmental technology facility  
3 as described in section 41-1514.02. This paragraph shall apply for ten full  
4 consecutive calendar or fiscal years following the initial lease or rental  
5 by each qualified environmental technology manufacturer, producer or  
6 processor.

7           ~~7.~~ 6. Leasing or renting aircraft, flight simulators or similar  
8 training equipment to students or staff by nonprofit, accredited educational  
9 institutions that offer associate or baccalaureate degrees in aviation or  
10 aerospace related fields.

11           ~~8.~~ 7. Leasing or renting photographs, transparencies or other  
12 creative works used by this state on internet web sites, in magazines or in  
13 other publications that encourage tourism.

14           B. The tax base for the personal property rental classification is the  
15 gross proceeds of sales or gross income derived from the business, but the  
16 gross proceeds of sales or gross income derived from the following shall be  
17 deducted from the tax base:

18           1. Reimbursements by the lessee to the lessor of a motor vehicle for  
19 payments by the lessor of the applicable fees and taxes imposed by sections  
20 28-2003, 28-2352, 28-2402, 28-2481 and 28-5801, title 28, chapter 15,  
21 article 2 and article IX, section 11, Constitution of Arizona, to the extent  
22 such amounts are separately identified as such fees and taxes and are billed  
23 to the lessee.

24           2. Leases or rentals of tangible personal property which, if it had  
25 been purchased instead of leased or rented by the lessee, would have been  
26 exempt under:

27           (a) Section 42-5061, subsection A, paragraph 8, 9, 12, 13, 25, 29 or  
28 ~~51~~ 50.

29           (b) Section 42-5061, subsection B, except that a lease or rental of  
30 new machinery or equipment is not exempt pursuant to section 42-5061,  
31 subsection B, paragraph 13 if the lease is for less than two years.

32           (c) Section 42-5061, subsection ~~K~~ J, paragraph 1.

33           (d) Section 42-5061, subsection ~~O~~ N.

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

38           4. Leasing or renting a motor vehicle subject to and upon which the  
39 fee has been paid under title 28, chapter 16, article 4.

40           C. Sales of tangible personal property to be leased or rented to a  
41 person engaged in a business classified under the personal property rental  
42 classification are deemed to be resale sales.

43           D. In computing the tax base, the gross proceeds of sales or gross  
44 income from the lease or rental of a motor vehicle does not include any

1 amount attributable to the car rental surcharge under section 28-5810 or  
2 48-4234.

3 E. Until December 31, 1988, leasing or renting animals for  
4 recreational purposes is exempt from the tax imposed by this section.  
5 Beginning January 1, 1989, the gross proceeds or gross income from leasing  
6 or renting animals for recreational purposes is subject to taxation under  
7 this section. Tax liabilities, penalties and interest paid for taxable  
8 periods before January 1, 1989 shall not be refunded unless the taxpayer  
9 requesting the refund provides proof satisfactory to the department that the  
10 monies paid as taxes will be returned to the customer.

11 Sec. 8. Section 42-5072, Arizona Revised Statutes, is amended to read:  
12 42-5072. Mining classification; definition

13 A. The mining classification is comprised of the business of mining,  
14 quarrying or producing for sale, profit or commercial use any  
15 nonmetalliferous mineral product.

16 B. The tax base for the mining classification is the gross proceeds  
17 of sales or gross income derived from the business. The gross proceeds of  
18 sales or gross income derived from sales described under section 42-5061,  
19 subsection A, paragraph 27 and subsection K- J, paragraph 2 shall be deducted  
20 from the tax base.

21 C. The tax base includes the value of the entire product mined,  
22 quarried or produced for sale, profit or commercial use in this state,  
23 regardless of the place of sale of the product or of the fact that deliveries  
24 may be made to points without this state. If, however, the sale price of the  
25 product includes freight, the sale price shall be reduced by the actual  
26 freight paid by any person from the place of production to the place of  
27 delivery.

28 D. In the case of a person engaged in business classified under the  
29 mining classification all or part of whose income is derived from service or  
30 manufacturing charges instead of from sales of the products manufactured or  
31 handled, the tax base includes the gross income of the person derived from  
32 the service or manufacturing charge.

33 E. If a person engaging in business classified under the mining  
34 classification ships or transports all or part of a product out of this state  
35 without making sale of the product or ships his product outside of this state  
36 in an unfinished condition, the value of the product or article in the  
37 condition or form in which it existed when transported out of this state and  
38 before it enters interstate commerce is included in the tax base, and the  
39 department shall prescribe equitable and uniform rules for ascertaining that  
40 value. In determining the tax base, if the product or any part of the  
41 product has been processed in this state and the proceeds of such processing  
42 have been included in the tax base of the processor under this chapter, the  
43 person may deduct from the value of the product when transported out of this  
44 state the cost of such processing.

1 F. A person who conducts a business classified under the mining  
2 classification may be deemed also to be engaged in business classified under  
3 the retail classification to the extent the person's activities comprise  
4 business under the retail classification if the tax is paid at the rate  
5 imposed on the retail classification by section 42-5010. If the transaction  
6 is not subject to taxation under the retail classification, the transaction  
7 shall be included in the tax base under this section.

8 G. For purposes of this section "nonmetalliferous mineral product"  
9 means oil, natural gas, limestone, sand, gravel or any other nonmetalliferous  
10 mineral product, compound or combination of nonmetalliferous mineral  
11 products.

12 Sec. 9. Section 42-5151, Arizona Revised Statutes, is amended to read:  
13 42-5151. Definitions

14 In this article, unless the context otherwise requires:

15 1. "Ancillary services" means those services so designated in federal  
16 energy regulatory commission order 888 adopted in 1996 that include the  
17 services necessary to support the transmission of electricity from resources  
18 to loads while maintaining reliable operation of the transmission system  
19 according to good utility practice.

20 2. "Electric distribution service" means distributing electricity to  
21 retail electric customers through the use of electric distribution  
22 facilities.

23 3. "Electric generation service" means providing electricity for sale  
24 to retail electric customers but excluding electric distribution or  
25 transmission services.

26 4. "Electric transmission service" means transmitting electricity to  
27 retail electric customers or to electric distribution facilities so  
28 classified by the federal energy regulatory commission or, to the extent  
29 permitted by law, so classified by the Arizona corporation commission.

30 5. "Electric utility services" means the business of providing  
31 electric ancillary services, electric distribution services, electric  
32 generation services, electric transmission services and other services  
33 related to providing electricity.

34 6. "Electricity" means electric energy, electric capacity or electric  
35 capacity and energy.

36 7. "Electricity supplier" means a person, whether acting in a  
37 principal, agent or other capacity, that offers to sell electricity to a  
38 retail electric customer in this state.

39 8. "Natural gas" means natural or artificial gas, and includes methane  
40 and propane gas, the natural gas commodity, natural gas pipeline capacity or  
41 natural gas commodity and pipeline capacity.

42 9. "Natural gas utility services" means the business of selling  
43 natural gas or providing natural gas transportation services or other  
44 services related to providing natural gas.

1       10. "Notice" means written notice served personally or by certified  
2 mail and addressed to the last known address of the person to whom such  
3 notice is given.

4       11. "Other services" includes metering, meter reading services, billing  
5 and collecting services.

6       12. "Person" means an individual, firm, partnership, joint venture,  
7 association, corporation, estate, trust, receiver or syndicate, this state  
8 or a county, city, municipality, district or other political subdivision or  
9 agency thereof.

10       13. "Purchase" means any transfer, exchange or barter, conditional or  
11 otherwise, in any manner or by any means, of tangible personal property for  
12 a consideration, including transactions by which the possession of property  
13 is transferred but the seller retains the title as security for payment.

14       14. "Purchase price" or "sales price" means the total amount for which  
15 tangible personal property is sold, including any services that are a part  
16 of the sale, valued in money, whether paid in money or otherwise, and any  
17 amount for which credit is given to the purchaser by the seller without any  
18 deduction on account of the cost of the property sold, materials used, labor  
19 or services performed, interest charged, losses or other expenses, but does  
20 not include:

21           (a) Discounts allowed and taken.

22           (b) Charges for labor or services in installing, remodeling or  
23 repairing.

24           (c) Freight costs billed to and collected from a purchaser by a  
25 retailer for tangible personal property which, on the order of the retailer,  
26 is shipped directly from a manufacturer or wholesaler to the purchaser.

27           (d) Amounts attributable to federal excise taxes imposed by 26 United  
28 States Code section 4001, 4051 or 4091 on sales of heavy trucks and trailers  
29 and automobiles or on sales of use fuel, as defined in section 28-5601.

30           (e) THE VALUE OF MERCHANDISE THAT IS TRADED IN ON THE PURCHASE OF NEW  
31 OR PRE-OWNED MERCHANDISE WHEN THE TRADE-IN ALLOWANCE IS DEDUCTED FROM THE  
32 SALES PRICE OF THE NEW OR PRE-OWNED MERCHANDISE BEFORE THE COMPLETION OF THE  
33 SALE.

34       15. "Retail electric customer" means a person who purchases electricity  
35 for that person's own use, including use in that person's trade or business,  
36 and not for resale, redistribution or retransmission.

37       16. "Retail natural gas customer" means a person who purchases natural  
38 gas for that person's own use, including use in that person's trade or  
39 business, and not for resale, redistribution or retransmission.

40       17. "Retailer" includes:

41           (a) Every person engaged in the business of making sales of tangible  
42 personal property for storage, use or other consumption or in the business  
43 of making sales at auction of tangible personal property owned by that person  
44 or others for storage, use or other consumption. If in the opinion of the  
45 department it is necessary for the efficient administration of this article

1 to regard any salesmen, representatives, peddlers or canvassers as the agents  
2 of the dealers, distributors, supervisors or employers under whom they  
3 operate or from whom they obtain the tangible personal property sold by them,  
4 regardless of whether they are making sales on their own behalf or on behalf  
5 of such dealers, distributors, supervisors or employers, the department may  
6 so regard them and may regard the dealers, distributors, supervisors or  
7 employers as retailers for purposes of this article.

8 (b) A person who solicits orders for tangible personal property by  
9 mail if the solicitations are substantial and recurring or if the retailer  
10 benefits from any banking, financing, debt collection, telecommunication,  
11 television shopping system, cable, optic, microwave or other communication  
12 system or marketing activities occurring in this state or benefits from the  
13 location in this state of authorized installation, servicing or repair  
14 facilities.

15 18. "Storage" means keeping or retaining tangible personal property  
16 purchased from a retailer for any purpose except sale in the regular course  
17 of business or subsequent use solely outside this state.

18 19. "Taxpayer" means any retailer or person storing, using or consuming  
19 tangible personal property the storage, use or consumption of which is  
20 subject to the tax imposed by this article when such tax was not paid to a  
21 retailer.

22 20. "Use or consumption" means the exercise of any right or power over  
23 tangible personal property incidental to owning the property except holding  
24 for sale or selling the property in the regular course of business.

25 21. "Utility business" means a person that is engaged in the business  
26 of providing electric utility services to retail electric customers or  
27 natural gas utility services to retail natural gas customers.

28 Sec. 10. Section 42-11001, Arizona Revised Statutes, is amended to  
29 read:

30 42-11001. Definitions

31 In chapters 11 through 19 of this title, unless the context otherwise  
32 requires:

33 1. "Assessed valuation" means the value derived by applying the  
34 applicable percentage prescribed by chapter 15, article 1 of this title to  
35 the full cash value or limited property value of the property, as applicable.

36 2. "Board" or "state board" means the state board of equalization.

37 3. "County board" means the county board of supervisors sitting as the  
38 county board of equalization.

39 4. "Current usage" means the use to which property is put at the time  
40 of valuation by the assessor or the department.

41 5. "Full cash value" for property tax purposes means the value  
42 determined as prescribed by statute. If no statutory method is prescribed,  
43 full cash value is synonymous with market value which means the estimate of  
44 value that is derived annually by using standard appraisal methods and

1 techniques. Full cash value is the basis for assessing, fixing, determining  
2 and levying secondary property taxes.

3 6. "Limited property value" means the value determined pursuant to  
4 section 42-13301. Limited property value is the basis for:

5 (a) Computing levy limitations for counties, cities, towns and  
6 community college districts.

7 (b) Assessing, fixing, determining and levying primary property taxes.

8 7. "PERSON" MEANS A NATURAL PERSON, INDIVIDUAL, PROPRIETOR,  
9 PROPRIETORSHIP, COMPANY, CORPORATION, ORGANIZATION, ASSOCIATION, JOINT  
10 VENTURE, PARTNER, PARTNERSHIP, TRUST, ESTATE, LIMITED LIABILITY COMPANY, THE  
11 FEDERAL OR STATE GOVERNMENT, A POLITICAL SUBDIVISION OF A STATE OR ANY OTHER  
12 LEGAL ENTITY OR COMBINATION OF ENTITIES THAT OWNS, CONTROLS OR HAS POSSESSION  
13 OF REAL OR PERSONAL PROPERTY.

14 ~~7.~~ 8. "Personal property" includes property of every kind, both  
15 tangible and intangible, not included in the term real estate.

16 ~~8.~~ 9. "Primary property taxes" means all ad valorem taxes except for  
17 secondary property taxes.

18 ~~9.~~ 10. "Producing mine" or "mining claim" means a mine or mining  
19 claim from which coal or any other mineral or mineral substance, except for  
20 clay, sand, gravel, building stone or a mineral or mineral substance that is  
21 normally processed into artificial stone, has been extracted for commercial  
22 purposes at any time during a period of one year before the first Monday in  
23 January of the valuation year.

24 ~~10.~~ 11. "Real estate" includes the ownership of, claim to, possession  
25 of or right of possession to lands or patented mines.

26 ~~11.~~ 12. "Roll" means the assessment and tax roll.

27 ~~12.~~ 13. "Secondary property taxes" means:

28 (a) Ad valorem taxes or special property assessments that are used to  
29 pay the principal of and the interest and redemption charges on bonded  
30 indebtedness or other lawful long-term obligations that are issued or  
31 incurred for a specific capital purpose by a municipality, county or taxing  
32 district.

33 (b) Ad valorem taxes or assessments levied by or for special taxing  
34 districts and assessment districts other than school districts and community  
35 college districts.

36 (c) Amounts levied pursuant to an election to exceed a budget,  
37 expenditure or tax limitation.

38 ~~13.~~ 14. "Valuation" means the full cash value or limited property  
39 value, whichever applies, found for use on the roll THAT IS DETERMINED FOR  
40 REAL OR PERSONAL PROPERTY, AS APPLICABLE.

41 ~~14.~~ 15. "Valuation date", for the purposes of real property and  
42 property valued by the department, means January 1 of the year preceding the  
43 year in which taxes are levied.

44 ~~15.~~ 16. "Valuation year" means:

1 (a) For real property and property valued by the department the  
2 calendar year preceding the year in which the taxes are levied.

3 (b) For personal property the calendar year in which the taxes are  
4 levied.

5 Sec. 11. Repeal

6 Section 42-11127, Arizona Revised Statutes, is repealed.

7 Sec. 12. Title 42, chapter 11, article 3, Arizona Revised Statutes,  
8 is amended by adding a new section 42-11127, to read:

9 42-11127. Exempt personal property; definition

10 A. PURSUANT TO ARTICLE IX, SECTION 2, SUBSECTION (6), CONSTITUTION OF  
11 ARIZONA, PERSONAL PROPERTY THAT IS CLASS TWO PROPERTY PURSUANT TO SECTION  
12 42-12002, PARAGRAPH 2, SUBDIVISION (a) OR (b) THAT IS USED FOR AGRICULTURAL  
13 PURPOSES OR PERSONAL PROPERTY THAT IS CLASS ONE PROPERTY PURSUANT TO SECTION  
14 42-12001 THAT IS USED IN A TRADE OR BUSINESS AS DESCRIBED IN SECTION  
15 42-12001, PARAGRAPHS 8 THROUGH 11 OR 13 IS EXEMPT FROM TAXATION UP TO A  
16 MAXIMUM AMOUNT OF FIFTY THOUSAND DOLLARS OF FULL CASH VALUE FOR EACH  
17 TAXPAYER.

18 B. ON OR BEFORE DECEMBER 31 EACH YEAR, THE DEPARTMENT SHALL INCREASE  
19 THE MAXIMUM AMOUNT OF THE EXEMPTION FOR THE FOLLOWING TAX YEAR BASED ON THE  
20 AVERAGE ANNUAL PERCENTAGE INCREASE, IF ANY, IN THE GDP PRICE DEFLATOR IN THE  
21 TWO MOST RECENT COMPLETE STATE FISCAL YEARS.

22 C. IN THIS SECTION, "GDP PRICE DEFLATOR" MEANS THE AVERAGE OF THE FOUR  
23 IMPLICIT PRICE DEFLATORS FOR THE GROSS DOMESTIC PRODUCT REPORTED BY THE  
24 UNITED STATES DEPARTMENT OF COMMERCE OR ITS SUCCESSOR FOR THE FOUR QUARTERS  
25 OF THE STATE FISCAL YEAR.

26 Sec. 13. Section 42-13304, Arizona Revised Statutes, is amended to  
27 read:

28 42-13304. Exemptions from limitation

29 A. The limitations prescribed by this article do not apply to:

30 1. Personal property, other than permanently affixed mobile homes that  
31 are subject to chapter 15, article 5 of this title. The full cash value of  
32 personal property, other than permanently affixed mobile homes, shall be used  
33 for all purposes in lieu of limited property value.

34 2. Property included in property class one, paragraphs 1 through 7 and  
35 ~~13~~ 11 under section 42-12001. The full cash value of that property shall be  
36 used for all purposes in lieu of limited property value.

37 B. This section does not restrict the determination of full cash value  
38 of all parcels or items or property in this state pursuant to article 2 of  
39 this chapter for purposes of levying a tax rate for secondary property tax  
40 purposes and for all other lawful purposes.

1           Sec. 14. Section 42-14053, Arizona Revised Statutes, is amended to  
2 read:

3           42-14053. Determining and reporting valuation of producing  
4                                   mines and mining property

5           A. On or before August 31 of each year, the department shall:

6           ~~1. find in each taxing district in this state the full cash value of:~~

7           ~~(a) 1. Patented and unpatented producing mines.~~

8           ~~(b) 2. Personal property used on producing mines.~~

9           ~~(c) 3. Improvements to producing mines.~~

10           ~~(d) 4. Mills and smelters that are operated in conjunction with~~  
11 ~~producing mines.~~

12           ~~2. B. ON OR BEFORE NOVEMBER 30 OF EACH YEAR, THE DEPARTMENT SHALL~~  
13 ~~transmit the valuation VALUATIONS of these properties in each taxing district~~  
14 ~~to the several boards of supervisors RESPECTIVE COUNTY ASSESSORS.~~

15           ~~B. C. The valuations required by this section are the values~~  
16 ~~determined as of January 1 of the valuation year.~~

17           Sec. 15. Section 42-14054, Arizona Revised Statutes, is amended to  
18 read:

19           42-14054. Determining and reporting valuation of closed mines

20           A. On or before August 31 of each year, the department shall find the  
21 full cash value of all patented and unpatented mines that were producing  
22 mines on the first Monday in January of any of the three preceding years but  
23 that are no longer producing mines.

24           B. On or before November 30 of each year, the department shall  
25 transmit the valuation VALUATIONS of these properties in each taxing district  
26 to the several boards of supervisors RESPECTIVE COUNTY ASSESSORS.

27           C. The valuation required by this section is the value determined as  
28 of January 1 of the valuation year.

29           D. The department shall value nonproducing mines for a period of three  
30 valuation years after the last valuation year in which it was valued as a  
31 producing mine.

32           Sec. 16. Section 42-15006, Arizona Revised Statutes, is amended to  
33 read:

34           42-15006. Assessed valuation of class six property

35           The assessed valuation of class six property described in section  
36 42-12006 is based on the following percentages to the full cash value or  
37 limited valuation of class six property, as applicable:

38           1. Property described in section ~~41-12006~~ 42-12006, paragraphs 1, 2,  
39 3, 5 and 6, five per cent.

40           2. Property described in section 42-12006, paragraph 4:

41           (a) For primary property tax purposes, five per cent.

42           (b) Except as provided in subdivision (c), for secondary property tax  
43 purposes, twenty-five per cent.

44           (c) If subdivision (b) is finally adjudicated to be invalid, for  
45 secondary property tax purposes, five per cent.

1           Sec. 17. Section 42-16251, Arizona Revised Statutes, is amended to  
2 read:

3           42-16251. Definitions

4           In this article, unless the context otherwise requires:

5           1. "Board" means the county board of equalization or the state board  
6 of equalization, as appropriate.

7           2. "Court" means either the superior court or tax court.

8           3. "Error" means any mistake in assessing or collecting property taxes  
9 resulting from:

10           (a) An imposition of an incorrect, erroneous or illegal tax rate that  
11 resulted in assessing or collecting excessive taxes.

12           (b) An incorrect designation or description of the use of property or  
13 its classification pursuant to chapter 12, article 1 of this title.

14           (c) Applying the incorrect assessment ratio percentages prescribed by  
15 chapter 15, article 1 of this title.

16           (d) Misreporting or failing to report property if a statutory duty  
17 exists to report the property.

18           (e) Subject to the requirements of section 42-16255, subsection B, a  
19 valuation that is based on an error that is exclusively factual in nature or  
20 due to a specific legal restriction that affects the subject property and  
21 that is objectively verifiable without the exercise of discretion, opinion  
22 or judgment and that is demonstrated by clear and convincing evidence, such  
23 as:

24           (i) A mistake in the description of the size, use or ownership of  
25 land, improvements or personal property.

26           (ii) Clerical or typographical errors in reporting or entering data  
27 that was used directly to establish valuation.

28           (iii) A failure to timely capture on the tax roll a change in value  
29 caused by new construction, THE destruction, OR demolition OF IMPROVEMENTS,  
30 or THE splitting OF ONE PARCEL OF REAL PROPERTY INTO TWO OR MORE NEW PARCELS  
31 or THE consolidating OF TWO OR MORE PARCELS OF interests in real property  
32 INTO ONE NEW PARCEL existing on the valuation date.

33           (iv) The existence or nonexistence of the property on the valuation  
34 date.

35           (v) Any other objectively verifiable error that does not require the  
36 exercise of discretion, opinion or judgment.

37           4. "Error" does not include a correction that results from a change in the  
38 law as a result of a final nonappealable ruling by a court of competent  
39 jurisdiction in a case that does not involve the property for which a  
40 correction is claimed.

41           5. 4. "Taxpayer" means the owner of real or personal property that  
42 is liable for tax.

1           Sec. 18. Section 42-16252, Arizona Revised Statutes, is amended to  
2 read:

3           42-16252. Notice of error; response; petition for review;  
4                           appeal

5           A. Subject to the limitations and conditions prescribed by this  
6 article, if a county assessor or the department determines that any real or  
7 personal property has been assessed improperly as a result of a property tax  
8 error, ~~it~~ THE COUNTY ASSESSOR OR DEPARTMENT shall send the taxpayer a notice  
9 of error at the taxpayer's last known address by:

10           1. Certified mail, return receipt requested, if correction of the  
11 error results in an increase in the valuation of the property.

12           2. Regular mail OR, AT THE TAXPAYER'S WRITTEN REQUEST, DELIVERED BY  
13 COMMON CARRIER OR TRANSMITTED ELECTRONICALLY, if correction of the error does  
14 not result in an increase in the valuation of the property.

15           B. The notice shall:

16           1. Be in a form prescribed by the department.

17           2. Clearly identify the subject property by tax parcel number or tax  
18 roll number and the year or years for which the correction is proposed.

19           3. Explain the error, the reasons for the error and the proposed  
20 correction of the error.

21           4. Inform the taxpayer of the procedure and deadlines for appealing  
22 all or part of the proposed determination before the tax roll is corrected.

23           C. Within thirty days after receiving a notice of error the taxpayer  
24 may file a written response to the taxing authority that sent the notice to  
25 either consent to or dispute the proposed correction of the error and to  
26 state the grounds for disputing the correction. A failure to file a written  
27 response within thirty days constitutes consent to the proposed correction  
28 unless a request for an extension of time is made within thirty days after  
29 receiving the notice of error. If an extension is granted, any response that  
30 is not filed within the extended due date constitutes consent to the proposed  
31 correction.

32           D. If an owner of real property consents to the proposed correction,  
33 the tax roll shall be promptly corrected to allow property taxes to be levied  
34 and collected, but no tax, interest or penalty may be imposed for any tax  
35 year preceding the date of the notice of error. Any taxes that are assessed  
36 pursuant to this subsection are delinquent if not paid within sixty days  
37 after the date the supplemental billing is mailed to the taxpayer. If taxes  
38 have been overpaid, they shall be refunded with interest as provided by law  
39 within ninety days after the roll is corrected. The owner may appeal  
40 valuation issues that arise from the correction as provided in this section.

41           E. If requested, the assessor or department shall meet with the  
42 taxpayer or the taxpayer's representative in any case in which the taxpayer  
43 has timely filed a written response disputing the proposed correction.

44           F. If the parties fail to agree on all or part of the proposed  
45 correction, the department or assessor shall serve a notice on the taxpayer

1 by certified mail advising the taxpayer that the error will be corrected  
2 within forty-five days unless the taxpayer files a petition on a form  
3 prescribed by the department with the county board of equalization, if one  
4 is established in the county, or, if one is not established in the county,  
5 with the state board of equalization. The department or assessor shall  
6 include a petition form with the notice and an explanation of the appeals  
7 procedure. The petition must be filed with the county board or the state  
8 board within thirty days after the notice prescribed by this subsection is  
9 mailed, or it is barred. On receiving the petition, the board shall hold a  
10 hearing on the proposed correction within thirty days and shall issue a  
11 written decision pursuant to the board's rules.

12 G. A party that is dissatisfied with the decision of the county board  
13 or state board may appeal the decision to court within sixty days after the  
14 date the board's decision is mailed, but any additional taxes that are  
15 determined to be due must be timely paid before delinquency for the court to  
16 retain jurisdiction of the matter.

17 Sec. 19. Section 42-19005, Arizona Revised Statutes, is amended to  
18 read:

19 42-19005. Property leased or rented from inventory

20 A. Subject to section 42-19103, personal property that is periodically  
21 leased or rented from the inventory of retailers or wholesalers shall be  
22 assessed in the same manner as ~~tax on~~ other personal property included in  
23 class one pursuant to sections 42-12001 and 42-15001.

24 B. The department shall:

- 25 1. Establish the method of determining the valuation of such property.  
26 2. Prescribe all forms and affidavits ~~REPORTS~~ required under this  
27 section.

28 C. Each retailer and wholesaler that leases or rents personal property  
29 from its inventory shall file an affidavit of particulars with the county  
30 assessor not later than the tenth day of each month for the preceding month's  
31 activity.

32 D. This section does not apply to property that is owned and held by  
33 persons primarily engaged in the business of renting personal property.

34 Sec. 20. Section 43-304, Arizona Revised Statutes, is amended to read:

35 43-304. Fiduciary returns

36 A. Every fiduciary, except a receiver appointed by authority of law  
37 in possession of part only of the property of an individual, shall make a  
38 return for any of the following taxpayers for whom he THE FIDUCIARY acts:

39 1. Every individual having an Arizona adjusted gross income for the  
40 taxable year of five thousand five hundred dollars or over, if single or  
41 married filing a separate return.

42 2. Every individual having an Arizona adjusted gross income for the  
43 taxable year of eleven thousand dollars or over, if married and filing a  
44 joint return pursuant to section 43-309.

1           3. Every individual having gross income for the taxable year of  
2 fifteen thousand dollars or over, regardless of the amount of taxable  
3 income. For the purpose PURPOSES of this paragraph, "gross income" means  
4 gross income as defined in the internal revenue code minus income that is  
5 included in gross income but excluded from taxation under this title.

6           4. Every estate ~~the OR TRUST THAT HAS~~ Arizona taxable income of which  
7 for the taxable year is ~~one thousand dollars or over.~~

8           ~~5. Every trust the Arizona taxable income of which for the taxable~~  
9 ~~year is one hundred dollars or over.~~

10          ~~6.~~ 5. Every estate or trust the gross income of which for the taxable  
11 year is five thousand dollars or over, regardless of the amount of the  
12 Arizona taxable income.

13          ~~7.~~ 6. Every decedent, for the year in which death occurred and for  
14 prior years, if returns for such years should have been filed but have not  
15 been filed by the decedent, under such rules as the department may prescribe.

16          B. Any fiduciary required to make a return for an individual is  
17 subject to the provisions of this title which apply to individuals.

18          Sec. 21. Section 44-318, Arizona Revised Statutes, is amended to read:

19          44-318. Action to establish claim; attorney fees

20          A person who is aggrieved by a decision of the department, or whose  
21 claim has not been decided within ninety days after filing the claim, may  
22 begin an original action in superior court to establish the claim by naming  
23 the department as a defendant. THE PERSON SHALL FILE THE ACTION IN SUPERIOR  
24 COURT WITHIN NINETY DAYS AFTER THE DECISION OF THE DEPARTMENT OR WITHIN ONE  
25 HUNDRED EIGHTY DAYS AFTER THE FILING OF THE CLAIM IF THE DEPARTMENT HAS  
26 FAILED TO MAKE A DECISION. If the aggrieved person establishes the claim in  
27 an action against the department, the court may award the claimant reasonable  
28 attorney fees.

29          Sec. 22. Repeal

30          Title 43, chapter 3, article 3, Arizona Revised Statutes, is repealed  
31 effective retroactively for taxable years beginning from and after December  
32 31, 2002.

33          Sec. 23. Effective date

34          Sections 42-1107 and 43-304, Arizona Revised Statutes, as amended by  
35 this act, are effective for taxable years from and after December 31, 2003.

APPROVED BY THE GOVERNOR APRIL 28, 2003.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 28, 2003.

Passed the House February 10, 2003,

Passed the Senate April 10, 2003,

by the following vote: 56 Ayes,

by the following vote: 28 Ayes,

0 Nays, 3 Not Voting  
1 Vacancy  
Jake Flake  
Speaker of the House

0 Nays, 2 Not Voting  
Ken Flinn  
President of the Senate

Norman L. Joyce  
Chief Clerk of the House

Charmie Bellington  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this  
\_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,  
at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Secretary to the Governor

Approved this \_\_\_\_\_ day of \_\_\_\_\_,  
\_\_\_\_\_, 20\_\_\_\_,  
at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

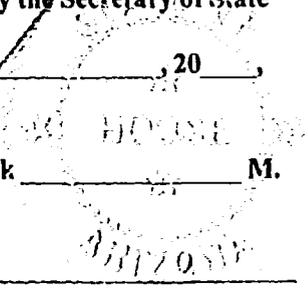
\_\_\_\_\_  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State  
this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,  
at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

\_\_\_\_\_  
Secretary of State

H.B. 2059



HOUSE CONCURS IN SENATE  
AMENDMENTS AND FINAL PASSAGE

April 22, 2003,

by the following vote: 55 Ayes,

0 Nays, 5 Not Voting

Jake Flake  
Speaker of the House  
Norman L. Fyfe  
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this

22 day of April, 2003,

at 11:07 o'clock A M.

Sandra Ramirez  
Secretary to the Governor

Approved this 28 day of

April, 2003,

at 3<sup>30</sup> o'clock P. M.

Jan Brewer  
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 28 day of April, 2003,

at 4:51 o'clock P M.

Janice K. Brewer  
Secretary of State

H.B. 2059