

Senate Engrossed House Bill

**FILED**  
**KEN BENNETT**  
**SECRETARY OF STATE**

State of Arizona  
House of Representatives  
Fifty-first Legislature  
Second Regular Session  
2014

CHAPTER 174

## **HOUSE BILL 2546**

AN ACT

AMENDING SECTION 32-122.07, ARIZONA REVISED STATUTES; AMENDING SECTION 42-6004, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, FIRST REGULAR SESSION, CHAPTER 27, SECTION 2, CHAPTER 120, SECTION 2, CHAPTER 153, SECTION 2 AND CHAPTER 236, SECTION 6 AND LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 9, SECTION 8; REPEALING SECTION 42-6004, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 20; RELATING TO ALARM BUSINESSES AND AGENTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 32-122.07, Arizona Revised Statutes, is amended to  
3 read:

4 32-122.07. Denial of alarm business and alarm agent  
5 certification; appeal

6 A. The board ~~shall~~ MAY deny an application for certification as an  
7 alarm business or alarm agent if a controlling person of an alarm business or  
8 an alarm agent ~~has been convicted of any of the following:~~ LACKS GOOD MORAL  
9 CHARACTER OR HAS BEEN CONVICTED OF AN ACT INVOLVING MORAL TURPITUDE. A LACK  
10 OF GOOD MORAL CHARACTER MAY BE ESTABLISHED BY EVIDENCE OF PAST CRIMINAL  
11 ACTIVITY AND SHALL BE DETERMINED BY THE BOARD.

12 1. ~~Theft.~~

13 2. ~~Burglary.~~

14 3. ~~Robbery or armed robbery.~~

15 4. ~~Criminal trespass.~~

16 5. ~~Sexual abuse of a vulnerable adult.~~

17 6. ~~Abuse of a vulnerable adult.~~

18 7. ~~Sexual assault.~~

19 8. ~~Any offense involving the exploitation of a minor.~~

20 9. ~~Molestation of a child.~~

21 10. ~~Homicide, including first or second degree murder and negligent~~  
22 ~~homicide.~~

23 11. ~~Distribution, manufacture or sale of marijuana, dangerous drugs or~~  
24 ~~narcotic drugs if committed less than three years before the date of applying~~  
25 ~~for certification.~~

26 12. ~~Kidnapping.~~

27 13. ~~Fraud by persons authorized to provide goods or services.~~

28 B. If the board denies an application for certification as an alarm  
29 business or an alarm agent, it shall send notice of its action by certified  
30 mail to the applicant, setting forth the reasons for the action taken.

31 C. Within thirty days after the date of the notice, the applicant may  
32 request a hearing before the board pursuant to title 41, chapter 6,  
33 article 10.

34 Sec. 2. Section 42-6004, Arizona Revised Statutes, as amended by Laws  
35 2013, first regular session, chapter 27, section 2, chapter 120, section 2,  
36 chapter 153, section 2 and chapter 236, section 6 and Laws 2013, first  
37 special session, chapter 9, section 8, is amended effective from and after  
38 December 31, 2014, to read:

39 42-6004. Exemption from municipal tax

40 A. A city, town or special taxing district shall not levy a  
41 transaction privilege, sales, use or other similar tax on:

42 1. Exhibition events in this state sponsored, conducted or operated by  
43 a nonprofit organization that is exempt from taxation under section  
44 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the  
45 organization is associated with a major league baseball team or a national

- 1 touring professional golfing association and no part of the organization's  
2 net earnings inures to the benefit of any private shareholder or individual.
- 3 2. Interstate telecommunications services, which include that portion  
4 of telecommunications services, such as subscriber line service, allocable by  
5 federal law to interstate telecommunications service.
- 6 3. Sales of warranty or service contracts.
- 7 4. Sales of motor vehicles to nonresidents of this state for use  
8 outside this state if the ~~vendor~~ MOTOR VEHICLE DEALER ships or delivers the  
9 motor vehicle to a destination outside this state.
- 10 5. Interest on finance contracts.
- 11 6. Dealer documentation fees on the sales of motor vehicles.
- 12 7. Sales of food or other items purchased with United States  
13 department of agriculture food stamp coupons issued under the food stamp act  
14 of 1977 (P.L. 95-113; 91 Stat. 958) or food instruments issued under section  
15 17 of the child nutrition act (P.L. 95-627; 92 Stat. 3603; P.L. 99-661,  
16 section 4302; 42 United States Code section 1786) but may impose such a tax  
17 on other sales of food. If a city, town or special taxing district exempts  
18 sales of food from its tax or imposes a different transaction privilege rate  
19 on the gross proceeds of sales or gross income from sales of food and nonfood  
20 items, it shall use the definition of food prescribed by rule adopted by the  
21 department pursuant to section 42-5106.
- 22 8. Orthodontic devices dispensed by a dental professional who is  
23 licensed under title 32, chapter 11 to a patient as part of the practice of  
24 dentistry.
- 25 9. Sales of internet access services to the person's subscribers and  
26 customers. For the purposes of this paragraph:
- 27 (a) "Internet" means the computer and telecommunications facilities  
28 that comprise the interconnected worldwide network of networks that employ  
29 the transmission control protocol or internet protocol, or any predecessor or  
30 successor protocol, to communicate information of all kinds by wire or radio.
- 31 (b) "Internet access" means a service that enables users to access  
32 content, information, electronic mail or other services over the internet.  
33 Internet access does not include telecommunication services provided by a  
34 common carrier.
- 35 10. The gross proceeds of sales or gross income retained by the Arizona  
36 exposition and state fair board from ride ticket sales at the annual Arizona  
37 state fair.
- 38 11. Through August 31, 2014, sales of Arizona centennial medallions by  
39 the historical advisory commission.
- 40 12. Leasing real property between affiliated companies, businesses,  
41 persons or reciprocal insurers. For the purposes of this paragraph:
- 42 (a) "Affiliated companies, businesses, persons or reciprocal insurers"  
43 means the lessor holds a controlling interest in the lessee, the lessee holds  
44 a controlling interest in the lessor, an affiliated entity holds a  
45 controlling interest in both the lessor and the lessee or an unrelated person  
46 holds a controlling interest in both the lessor and lessee.

1 (b) "Controlling interest" means direct or indirect ownership of at  
2 least eighty per cent of the voting shares of a corporation or of the  
3 interests in a company, business or person other than a corporation.

4 (c) "Reciprocal insurer" has the same meaning prescribed in section  
5 20-762.

6 13. The gross proceeds of sales or gross income derived from a contract  
7 for the installation, assembly, repair or maintenance of machinery, equipment  
8 or other tangible personal property described in section 42-5061, subsection  
9 B and that has independent functional utility, pursuant to the following  
10 provisions:

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

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

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

19 (iii) Any activity that is related to the activities described in  
20 ~~subdivision (a)~~, items (i) and (ii) of this ~~paragraph~~ SUBDIVISION,  
21 including, ~~but not limited to~~, inspecting the installation of, ~~or testing~~,  
22 the machinery, equipment or other tangible personal property.

23 (b) The deduction provided in this paragraph does not include gross  
24 proceeds of sales or gross income from the portion of any contracting  
25 activity that consists of the development of, or modification to, real  
26 property in order to facilitate the installation, assembly, repair,  
27 maintenance or removal of machinery, equipment or other tangible personal  
28 property described in section 42-5061, subsection B.

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

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

36 (i) Assembling the machinery, equipment or other tangible personal  
37 property.

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

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

43 (iv) Stabilizing or protecting the machinery, equipment or other  
44 tangible personal property during operation by bolting, burying or performing  
45 other dissimilar nonpermanent connections to either real property or real  
46 property improvements.

1           14. The leasing or renting of certified ignition interlock devices  
2 installed pursuant to the requirements prescribed by section 28-1461. For  
3 the purposes of this paragraph, "certified ignition interlock device" has the  
4 same meaning prescribed in section 28-1301.

5           15. Computer data center equipment purchased by the owner, operator or  
6 qualified colocation tenant of the computer data center or an authorized  
7 agent of the owner, operator or qualified colocation tenant during the  
8 qualification period for use in a computer data center that is certified by  
9 the Arizona commerce authority under section 41-1519. To qualify for this  
10 deduction, at the time of purchase, the owner, operator or qualified  
11 colocation tenant must present to the retailer its certificate that is issued  
12 pursuant to section 41-1519 and that establishes its qualification for the  
13 deduction. For the purposes of this paragraph, "computer data center",  
14 "computer data center equipment", "qualification period" and "qualified  
15 colocation tenant" have the same meanings prescribed in section 41-1519.

16           16. THE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM A CONTRACT  
17 WITH THE OWNER OF REAL PROPERTY FOR THE MAINTENANCE, REPAIR OR REPLACEMENT OF  
18 EXISTING PROPERTY IS NOT SUBJECT TO TAX IF THE CONTRACT DOES NOT INCLUDE  
19 MODIFICATION ACTIVITIES. FOR THE PURPOSES OF THIS PARAGRAPH:

20           (a) EACH CONTRACT OR PROJECT IS INDEPENDENT OF ANOTHER CONTRACT.

21           (b) "MODIFICATION" MEANS CONSTRUCTION, ALTERATION, ADDITION,  
22 SUBTRACTION, IMPROVEMENT, MOVEMENT, WRECKAGE OR DEMOLITION.

23           17. MONITORING SERVICES RELATING TO AN ALARM SYSTEM AS DEFINED IN  
24 SECTION 32-101.

25           B. A city, town or other taxing jurisdiction shall not levy a  
26 transaction privilege, sales, use, franchise or other similar tax or fee,  
27 however denominated, on natural gas or liquefied petroleum gas used to propel  
28 a motor vehicle.

29           C. A city, town or other taxing jurisdiction shall not levy a  
30 transaction privilege, sales, gross receipts, use, franchise or other similar  
31 tax or fee, however denominated, on gross proceeds of sales or gross income  
32 derived from any of the following:

33           1. A motor carrier's use on the public highways in this state if the  
34 motor carrier is subject to a fee prescribed in title 28, chapter 16,  
35 article 4.

36           2. Leasing, renting or licensing a motor vehicle subject to and ~~upon~~  
37 ON which the fee has been paid under title 28, chapter 16, article 4.

38           3. The sale of a motor vehicle and any repair and replacement parts  
39 and tangible personal property becoming a part of such motor vehicle to a  
40 motor carrier who is subject to a fee prescribed in title 28, chapter 16,  
41 article 4 and who is engaged in the business of leasing, renting or licensing  
42 such property.

43           4. Incarcerating or detaining in a privately operated prison, jail or  
44 detention facility prisoners who are under the jurisdiction of the United  
45 States, this state or any other state or a political subdivision of this  
46 state or of any other state.

1 5. Transporting for hire persons, freight or property by light motor  
2 vehicles subject to a fee under title 28, chapter 15, article 4.

3 6. Any amount attributable to development fees that are incurred in  
4 relation to the construction, development or improvement of real property and  
5 paid by the taxpayer as defined in the model city tax code or by a contractor  
6 providing services to the taxpayer. For the purposes of this paragraph:

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

9 (b) The attributable amount is equal to the total amount of  
10 development fees paid by the taxpayer or by a contractor providing services  
11 to the taxpayer and the total development fees credited in exchange for the  
12 construction of, contribution to or dedication of real property for providing  
13 public infrastructure, public safety or other public services necessary to  
14 the development. The real property must be the subject of the development  
15 fees.

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

20 D. A city, town or other taxing jurisdiction shall not levy a  
21 transaction privilege, sales, use, franchise or other similar tax or fee,  
22 however denominated, in excess of one-tenth of one per cent of the value of  
23 the entire product mined, smelted, extracted, refined, produced or prepared  
24 for sale, profit or commercial use, on persons engaged in the business of  
25 mineral processing, except to the extent that the tax is computed on the  
26 gross proceeds or gross income from sales at retail.

27 E. In computing the tax base, any city, town or other taxing  
28 jurisdiction shall not include in the gross proceeds of sales or gross  
29 income:

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

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

33 F. A city or town shall not levy a use tax on the storage, use or  
34 consumption of tangible personal property in the city or town by a school  
35 district or charter school.

36 Sec. 3. Repeal

37 Section 42-6004, Arizona Revised Statutes, as amended by Laws 2013,  
38 chapter 255, section 20, is repealed.

39 Sec. 4. Emergency

40 This act is an emergency measure that is necessary to preserve the  
41 public peace, health or safety and is operative immediately as provided by  
42 law.

NOT ENACTED

APPROVED BY THE GOVERNOR APRIL 23, 2014.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 24, 2014.

Passed the House March 6, 20 14

by the following vote: 44 Ayes,

13 Nays, 3 Not Voting

*with Emergency*

*[Signature]*  
Speaker of the House  
*Pro Tempore*

*Cheryl Laube*  
Chief Clerk of the House

Passed the Senate April 17, 20 14

by the following vote: 16 Ayes,

12 Nays, 2 Not Voting

*without Emergency*

*[Signature]*  
President of the Senate

*Charmain Bellefleur*  
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill received by the Governor this

\_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

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

Approved this \_\_\_\_\_ day of

\_\_\_\_\_

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

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

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

at \_\_\_\_\_ o'clock \_\_\_\_\_ M.

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

H.B. 2546

HOUSE CONCURS IN SENATE  
AMENDMENTS AND FINAL PASSAGE

April 22, 2014,

by the following vote: 40 Ayes,

17 Nays, 3 Not Voting



Speaker of the House



Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this  
23<sup>rd</sup> day of April, 2014,

at 11:50 o'clock A M.

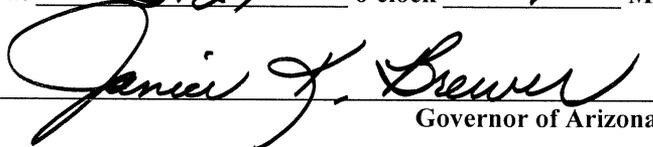


Secretary to the Governor

Approved this 23<sup>rd</sup> day of

April, 2014,

at 3:29 o'clock P M.



Governor of Arizona

H.B. 2546

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State  
this 24<sup>th</sup> day of April, 2014,

at 8:57 o'clock a M.



Secretary of State