

Senate Engrossed House Bill

**FILED**

**KEN BENNETT  
SECRETARY OF STATE**

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

CHAPTER 54

## **HOUSE BILL 2285**

AN ACT

AMENDING SECTION 42-5061, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 9, SECTION 5, LAWS 2013, FIRST REGULAR SESSION, CHAPTER 120, SECTION 1 AND CHAPTER 233, SECTION 1; AMENDING SECTION 42-5061, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 13; AMENDING SECTIONS 42-5072 AND 42-5151, ARIZONA REVISED STATUTES; AMENDING SECTION 42-5159, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 9, SECTION 7; AMENDING SECTION 42-5159, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 17; AMENDING SECTION 42-6004, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 9, SECTION 8, LAWS 2013, FIRST REGULAR SESSION, CHAPTER 27, SECTION 2, CHAPTER 120, SECTION 2, CHAPTER 153, SECTION 2 AND CHAPTER 236, SECTION 6; AMENDING SECTION 42-6004, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 20; 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 42-5061, Arizona Revised Statutes, as amended by  
3 Laws 2013, first special session, chapter 9, section 5, Laws 2013, first  
4 regular session, chapter 120, section 1 and chapter 233, section 1, is  
5 amended to read:

6 42-5061. Retail classification; definitions

7 A. The retail classification is comprised of the business of selling  
8 tangible personal property at retail. The tax base for the retail  
9 classification is the gross proceeds of sales or gross income derived from  
10 the business. The tax imposed on the retail classification does not apply to  
11 the gross proceeds of sales or gross income from:

12 1. Professional or personal service occupations or businesses that  
13 involve sales or transfers of tangible personal property only as  
14 inconsequential elements.

15 2. Services rendered in addition to selling tangible personal property  
16 at retail.

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

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

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

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

29 7. The sale of stocks and bonds.

30 8. Drugs and medical oxygen, including delivery hose, mask or tent,  
31 regulator and tank, on the prescription of a member of the medical, dental or  
32 veterinarian profession who is licensed by law to administer such substances.

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

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

37 11. Prescription eyeglasses or contact lenses.

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

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

1           14. Sales to nonresidents of this state for use outside this state if  
2 the vendor ships or delivers the tangible personal property out of this  
3 state.

4           15. Food, as provided in and subject to the conditions of article 3 of  
5 this chapter and section 42-5074.

6           16. Items purchased with United States department of agriculture food  
7 stamp coupons issued under the food stamp act of 1977 (P.L. 95-113; 91 Stat.  
8 958) or food instruments issued under section 17 of the child nutrition act  
9 (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42 United States Code  
10 section 1786).

11           17. Textbooks by any bookstore that are required by any state  
12 university or community college.

13           18. Food and drink to a person ~~who~~ THAT is engaged in A business that  
14 is classified under the restaurant classification and that provides such food  
15 and drink without monetary charge to its employees for their own consumption  
16 on the premises during the employees' hours of employment.

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

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

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

31           (a) "Cash equivalents" means items or intangibles, whether or not  
32 negotiable, that are sold to one or more persons, through which a value  
33 denominated in money is purchased in advance and may be redeemed in full or  
34 in part for tangible personal property, intangibles or services. Cash  
35 equivalents include gift cards, stored value cards, gift certificates,  
36 vouchers, traveler's checks, money orders or other instruments, orders or  
37 electronic mechanisms, such as an electronic code, personal identification  
38 number or digital payment mechanism, or any other prepaid intangible right to  
39 acquire tangible personal property, intangibles or services in the future,  
40 whether from the seller of the cash equivalent or from another person. Cash  
41 equivalents do not include either of the following:

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

44           (ii) Prepaid calling cards or prepaid authorization numbers for  
45 telecommunications services made taxable by subsection Q of this section.

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

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

8 22. Motor vehicle fuel and use fuel that are subject to a tax imposed  
9 under title 28, chapter 16, article 1, sales of use fuel to a holder of a  
10 valid single trip use fuel tax permit issued under section 28-5739, sales of  
11 aviation fuel that are subject to the tax imposed under section 28-8344 and  
12 sales of jet fuel that are subject to the tax imposed under article 8 of this  
13 chapter.

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

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

20 25. Tangible personal property sold to:

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

22 (b) A qualifying health care organization as defined in section  
23 42-5001 if the tangible personal property is used by the organization solely  
24 to provide health and medical related educational and charitable services.

25 (c) A qualifying health care organization as defined in section  
26 42-5001 if the organization is dedicated to providing educational,  
27 therapeutic, rehabilitative and family medical education training for blind,  
28 visually impaired and multihandicapped children from the time of birth to age  
29 twenty-one.

30 (d) A qualifying community health center as defined in section  
31 42-5001.

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

35 (f) For taxable periods beginning from and after June 30, 2001, a  
36 nonprofit charitable organization that has qualified under section 501(c)(3)  
37 of the internal revenue code and that provides residential apartment housing  
38 for low income persons over sixty-two years of age in a facility that  
39 qualifies for a federal housing subsidy, if the tangible personal property is  
40 used by the organization solely to provide residential apartment housing for  
41 low income persons over sixty-two years of age in a facility that qualifies  
42 for a federal housing subsidy.

43 26. Magazines or other periodicals or other publications by this state  
44 to encourage tourist travel.

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

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

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

11           28. The sale of a motor vehicle to:

12           (a) A nonresident of this state if the purchaser's state of residence  
13 does not allow a corresponding use tax exemption to the tax imposed by  
14 article 1 of this chapter and if the nonresident has secured a special ninety  
15 day nonresident registration permit for the vehicle as prescribed by sections  
16 28-2154 and 28-2154.01.

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

19           29. Tangible personal property purchased in this state by a nonprofit  
20 charitable organization that has qualified under section 501(c)(3) of the  
21 United States internal revenue code and that engages in and uses such  
22 property exclusively in programs for mentally or physically handicapped  
23 persons if the programs are exclusively for training, job placement,  
24 rehabilitation or testing.

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

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

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

42           33. Sales of seeds, seedlings, roots, bulbs, cuttings and other  
43 propagative material to persons who use those items to commercially produce  
44 agricultural, horticultural, viticultural or floricultural crops in this  
45 state.

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

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

9           36. Sales of natural gas or liquefied petroleum gas used to propel a  
10 motor vehicle.

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

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

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

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

44           (a) "Personal property liquidation transaction" means a sale of  
45 personal property made by a personal property liquidator acting solely on

1 behalf of the owner of the personal property sold at the dwelling of the  
2 owner or on the death of any owner, on behalf of the surviving spouse, if  
3 any, any devisee or heir or the personal representative of the estate of the  
4 deceased, if one has been appointed.

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

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

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

15 43. Livestock and poultry feed, salts, vitamins and other additives for  
16 livestock or poultry consumption that are sold to persons who are engaged in  
17 producing livestock, poultry, or livestock or poultry products or who are  
18 engaged in feeding livestock or poultry commercially. For the purposes of  
19 this paragraph, "poultry" includes ratites.

20 44. Sales of implants used as growth promotants and injectable  
21 medicines, not already exempt under paragraph 8 of this subsection, for  
22 livestock or poultry owned by or in possession of persons who are engaged in  
23 producing livestock, poultry, or livestock or poultry products or who are  
24 engaged in feeding livestock or poultry commercially. For the purposes of  
25 this paragraph, "poultry" includes ratites.

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

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

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

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

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

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

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

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

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

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

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

27 54. Through August 31, 2014, sales of Arizona centennial medallions by  
28 the historical advisory commission.

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

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

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

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

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

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

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

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

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

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

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

39           3. Tangible personal property sold to persons engaged in business  
40 classified under the telecommunications classification and consisting of  
41 central office switching equipment, switchboards, private branch exchange  
42 equipment, microwave radio equipment and carrier equipment including optical  
43 fiber, coaxial cable and other transmission media ~~which~~ THAT are components  
44 of carrier systems.

1           4. Machinery, equipment or transmission lines used directly in  
2 producing or transmitting electrical power, but not including distribution.  
3 Transformers and control equipment used at transmission substation sites  
4 constitute equipment used in producing or transmitting electrical power.

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

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

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

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

20           (b) Any foreign government.

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

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

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

34           10. Machinery or equipment used directly to drill for oil or gas or  
35 used directly in the process of extracting oil or gas from the earth for  
36 commercial purposes.

37           11. Buses or other urban mass transit vehicles ~~which~~ THAT are used  
38 directly to transport persons or property for hire or pursuant to a  
39 governmentally adopted and controlled urban mass transportation program and  
40 ~~which~~ THAT are sold to bus companies holding a federal certificate of  
41 convenience and necessity or operated by any city, town or other governmental  
42 entity or by any person contracting with such governmental entity as part of  
43 a governmentally adopted and controlled program to provide urban mass  
44 transportation.

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

1           13. New machinery and equipment consisting of tractors, tractor-drawn  
2 implements, self-powered implements, machinery and equipment necessary for  
3 extracting milk, and machinery and equipment necessary for cooling milk and  
4 livestock, and drip irrigation lines not already exempt under paragraph 6 of  
5 this subsection and that are used for commercial production of agricultural,  
6 horticultural, viticultural and floricultural crops and products in this  
7 state. For the purposes of this paragraph:

8           (a) "New machinery and equipment" means machinery and equipment that  
9 have never been sold at retail except pursuant to leases or rentals ~~which~~  
10 THAT do not total two years or more.

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

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

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

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

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

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

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

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

1           16. Clean rooms that are used for manufacturing, processing,  
2 fabrication or research and development, as defined in paragraph 14 of this  
3 subsection, of semiconductor products. For the purposes of this paragraph,  
4 "clean room" means all property that comprises or creates an environment  
5 where humidity, temperature, particulate matter and contamination are  
6 precisely controlled within specified parameters, without regard to whether  
7 the property is actually contained within that environment or whether any of  
8 the property is affixed to or incorporated into real property. Clean room:

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

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

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

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

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

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

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

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

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

6 21. Qualifying equipment that is purchased from and after June 30, 2004  
7 through June 30, 2024 by a qualified business under section 41-1516 for  
8 harvesting or processing qualifying forest products removed from qualifying  
9 projects as defined in section 41-1516. To qualify for this deduction, the  
10 qualified business at the time of purchase must present its certification  
11 approved by the department.

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

14 1. Expendable materials. For the purposes of this paragraph,  
15 expendable materials do not include any of the categories of tangible  
16 personal property specified in subsection B of this section regardless of the  
17 cost or useful life of that property.

18 2. Janitorial equipment and hand tools.

19 3. Office equipment, furniture and supplies.

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

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

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

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

30 D. In addition to the deductions from the tax base prescribed by  
31 subsection A of this section, there shall be deducted from the tax base the  
32 gross proceeds of sales or gross income derived from sales of machinery,  
33 equipment, materials and other tangible personal property used directly and  
34 predominantly to construct a qualified environmental technology  
35 manufacturing, producing or processing facility as described in section  
36 41-1514.02. This subsection applies for ten full consecutive calendar or  
37 fiscal years after the start of initial construction.

38 E. In computing the tax base, gross proceeds of sales or gross income  
39 from retail sales of heavy trucks and trailers does not include any amount  
40 attributable to federal excise taxes imposed by 26 United States Code section  
41 4051.

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

1 G. If a person is engaged in an occupation or business to which  
2 subsection A of this section applies, the person's books shall be kept so as  
3 to show separately the gross proceeds of sales of tangible personal property  
4 and the gross income from sales of services, and if not so kept the tax shall  
5 be imposed on the total of the person's gross proceeds of sales of tangible  
6 personal property and gross income from services.

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

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

- 21 1. Transporting classification.
- 22 2. Utilities classification.
- 23 3. Telecommunications classification.
- 24 4. Pipeline classification.
- 25 5. Private car line classification.
- 26 6. Publication classification.
- 27 7. Job printing classification.
- 28 8. Prime contracting classification.
- 29 9. Owner builder sales classification.
- 30 10. Restaurant classification.

31 J. The gross proceeds of sales or gross income derived from the  
32 following shall be deducted from the tax base for the retail classification:

- 33 1. Sales made directly to the United States government or its  
34 departments or agencies by a manufacturer, modifier, assembler or repairer.
- 35 2. Sales made directly to a manufacturer, modifier, assembler or  
36 repairer if such sales are of any ingredient or component part of products  
37 sold directly to the United States government or its departments or agencies  
38 by the manufacturer, modifier, assembler or repairer.
- 39 3. Overhead materials or other tangible personal property that is used  
40 in performing a contract between the United States government and a  
41 manufacturer, modifier, assembler or repairer, including property used in  
42 performing a subcontract with a government contractor who is a manufacturer,  
43 modifier, assembler or repairer, to which title passes to the government  
44 under the terms of the contract or subcontract.

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

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

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

15           M. In computing the tax base, gross proceeds of sales or gross income  
16 does not include:

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

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

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

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

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

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

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

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

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

4           S. FOR THE PURPOSES OF THIS SECTION, THE TRANSFER OF TITLE OR  
5 POSSESSION OF COAL FROM AN OWNER OR OPERATOR OF A POWER PLANT TO A PERSON IN  
6 THE BUSINESS OF REFINING COAL IS NOT A SALE OF COAL IF BOTH OF THE FOLLOWING  
7 APPLY:

8           1. THE TRANSFER OF TITLE OR POSSESSION OF THE COAL IS FOR THE PURPOSE  
9 OF REFINING THE COAL.

10          2. THE TITLE OR POSSESSION OF THE COAL IS TRANSFERRED BACK TO THE  
11 OWNER OR OPERATOR OF THE POWER PLANT AFTER COMPLETION OF THE COAL REFINING  
12 PROCESS. FOR THE PURPOSES OF THIS PARAGRAPH, "COAL REFINING PROCESS"  
13 MEANS THE APPLICATION OF A COAL ADDITIVE SYSTEM THAT AIDS IN THE REDUCTION OF  
14 POWER PLANT EMISSIONS DURING THE COMBUSTION OF COAL AND THE TREATMENT OF FLUE  
15 GAS.

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

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

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

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

39          ~~U.~~ V. In computing the tax base for the sale of a motor vehicle to a  
40 nonresident of this state, if the purchaser's state of residence allows a  
41 corresponding use tax exemption to the tax imposed by article 1 of this  
42 chapter and the rate of the tax in the purchaser's state of residence is  
43 lower than the rate prescribed in article 1 of this chapter or if the  
44 purchaser's state of residence does not impose an excise tax, and the  
45 nonresident has secured a special ninety day nonresident registration permit

1 for the vehicle as prescribed by sections 28-2154 and 28-2154.01, there shall  
2 be deducted from the tax base a portion of the gross proceeds or gross income  
3 from the sale so that the amount of transaction privilege tax that is paid in  
4 this state is equal to the excise tax that is imposed by the purchaser's  
5 state of residence on the nonexempt sale or use of the motor vehicle.

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

7 1. "Aircraft" includes:

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

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

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

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

22 ~~W.~~ X. For the purposes of subsection J of this section:

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

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

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

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

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

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

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

5 Sec. 2. Section 42-5061, Arizona Revised Statutes, as amended by Laws  
6 2013, chapter 255, section 13, is amended to read:

7 42-5061. Retail classification; definitions

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

13 1. Professional or personal service occupations or businesses that  
14 involve sales or transfers of tangible personal property only as  
15 inconsequential elements.

16 2. Services rendered in addition to selling tangible personal property  
17 at retail.

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

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

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

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

30 7. The sale of stocks and bonds.

31 8. Drugs and medical oxygen, including delivery hose, mask or tent,  
32 regulator and tank, on the prescription of a member of the medical, dental or  
33 veterinarian profession who is licensed by law to administer such substances.

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

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

38 11. Prescription eyeglasses or contact lenses.

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

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

1 person in the absence of illness or injury and is appropriate for use in the  
2 home.

3 14. Sales of motor vehicles to nonresidents of this state for use  
4 outside this state if the motor vehicle dealer ships or delivers the motor  
5 vehicle to a destination out of this state.

6 15. Food, as provided in and subject to the conditions of article 3 of  
7 this chapter and section 42-5074.

8 16. Items purchased with United States department of agriculture food  
9 stamp coupons issued under the food stamp act of 1977 (P.L. 95-113; 91 Stat.  
10 958) or food instruments issued under section 17 of the child nutrition act  
11 (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42 United States Code  
12 section 1786).

13 17. Textbooks by any bookstore that are required by any state  
14 university or community college.

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

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

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

26 21. The sale of precious metal bullion and monetized bullion to the  
27 ultimate consumer, but the sale of coins or other forms of money for  
28 manufacture into jewelry or works of art is subject to the tax. For the  
29 purposes of this paragraph:

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

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

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

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

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

4           25. Tangible personal property sold to:

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

6           (b) A qualifying health care organization as defined in section  
7 42-5001 if the tangible personal property is used by the organization solely  
8 to provide health and medical related educational and charitable services.

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

14           (d) A qualifying community health center as defined in section  
15 42-5001.

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

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

27           26. Magazines or other periodicals or other publications by this state  
28 to encourage tourist travel.

29           27. Tangible personal property sold to a person that is subject to tax  
30 under this article by reason of being engaged in business classified under  
31 the prime contracting classification under section 42-5075 or to a  
32 subcontractor working under the control of a prime contractor that is subject  
33 to tax under article 1 of this chapter, if the property so sold is any of the  
34 following:

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

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

39           28. The sale of a motor vehicle to:

40           (a) A nonresident of this state if the purchaser's state of residence  
41 does not allow a corresponding use tax exemption to the tax imposed by  
42 article 1 of this chapter and if the nonresident has secured a special ninety  
43 day nonresident registration permit for the vehicle as prescribed by sections  
44 28-2154 and 28-2154.01.

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

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

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

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

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

26 33. Sales of seeds, seedlings, roots, bulbs, cuttings and other  
27 propagative material to persons who use those items to commercially produce  
28 agricultural, horticultural, viticultural or floricultural crops in this  
29 state.

30 34. Machinery, equipment, technology or related supplies that are only  
31 useful to assist a person who is physically disabled as defined in section  
32 46-191, has a developmental disability as defined in section 36-551 or has a  
33 head injury as defined in section 41-3201 to be more independent and  
34 functional.

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

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

40 37. Coal, petroleum, coke, natural gas, virgin fuel oil and electricity  
41 sold to a qualified environmental technology manufacturer, producer or  
42 processor as defined in section 41-1514.02 and directly used or consumed in  
43 the generation or provision of on-site power or energy solely for  
44 environmental technology manufacturing, producing or processing or  
45 environmental protection. This paragraph shall apply for twenty full

1 consecutive calendar or fiscal years from the date the first paper  
2 manufacturing machine is placed in service. In the case of an environmental  
3 technology manufacturer, producer or processor who does not manufacture  
4 paper, the time period shall begin with the date the first manufacturing,  
5 processing or production equipment is placed in service.

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

19 39. Through December 31, 1994, personal property liquidation  
20 transactions, conducted by a personal property liquidator. From and after  
21 December 31, 1994, personal property liquidation transactions shall be  
22 taxable under this section provided that nothing in this subsection shall be  
23 construed to authorize the taxation of casual activities or transactions  
24 under this chapter. For the purposes of this paragraph:

25 (a) "Personal property liquidation transaction" means a sale of  
26 personal property made by a personal property liquidator acting solely on  
27 behalf of the owner of the personal property sold at the dwelling of the  
28 owner or on the death of any owner, on behalf of the surviving spouse, if  
29 any, any devisee or heir or the personal representative of the estate of the  
30 deceased, if one has been appointed.

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

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

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

41 42. Livestock and poultry feed, salts, vitamins and other additives for  
42 livestock or poultry consumption that are sold to 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 the purposes of  
45 this paragraph, "poultry" includes ratites.

1           43. Sales of implants used as growth promotants and injectable  
2 medicines, not already exempt under paragraph 8 of this subsection, for  
3 livestock or poultry owned by or in possession of persons who are engaged in  
4 producing livestock, poultry, or livestock or poultry products or who are  
5 engaged in feeding livestock or poultry commercially. For the purposes of  
6 this paragraph, "poultry" includes ratites.

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

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

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

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

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

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

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

34           49. Sales of alternative fuel vehicles if the vehicle was manufactured  
35 as a diesel fuel vehicle and converted to operate on alternative fuel and  
36 equipment that is installed in a conventional diesel fuel motor vehicle to  
37 convert the vehicle to operate on an alternative fuel, as defined in section  
38 1-215.

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

42           51. Sales of tangible personal property to be incorporated or installed  
43 as part of environmental response or remediation activities under section  
44 42-5075, subsection B, paragraph 6.

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

6           53. Through August 31, 2014, sales of Arizona centennial medallions by  
7 the historical advisory commission.

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

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

14           (b) "Curriculum design or enhancement" means planning, implementing or  
15 reporting on courses of study, lessons, assignments or other learning  
16 activities.

17           55. Sales of motor vehicle fuel and use fuel to a qualified business  
18 under section 41-1516 for off-road use in harvesting, processing or  
19 transporting qualifying forest products removed from qualifying projects as  
20 defined in section 41-1516.

21           56. Sales of repair parts installed in equipment used directly by a  
22 qualified business under section 41-1516 in harvesting, processing or  
23 transporting qualifying forest products removed from qualifying projects as  
24 defined in section 41-1516.

25           57. Sales or other transfers of renewable energy credits or any other  
26 unit created to track energy derived from renewable energy resources. For  
27 the purposes of this paragraph, "renewable energy credit" means a unit  
28 created administratively by the corporation commission or governing body of a  
29 public power utility to track kilowatt hours of electricity derived from a  
30 renewable energy resource or the kilowatt hour equivalent of conventional  
31 energy resources displaced by distributed renewable energy resources.

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

36           1. Machinery, or equipment, used directly in manufacturing,  
37 processing, fabricating, job printing, refining or metallurgical operations.  
38 The terms "manufacturing", "processing", "fabricating", "job printing",  
39 "refining" and "metallurgical" as used in this paragraph refer to and include  
40 those operations commonly understood within their ordinary meaning.  
41 "Metallurgical operations" includes leaching, milling, precipitating,  
42 smelting and refining.

43           2. Mining machinery, or equipment, used directly in the process of  
44 extracting ores or minerals from the earth for commercial purposes, including  
45 equipment required to prepare the materials for extraction and handling,

1 loading or transporting such extracted material to the surface. "Mining"  
2 includes underground, surface and open pit operations for extracting ores and  
3 minerals.

4 3. Tangible personal property sold to persons engaged in business  
5 classified under the telecommunications classification and consisting of  
6 central office switching equipment, switchboards, private branch exchange  
7 equipment, microwave radio equipment and carrier equipment including optical  
8 fiber, coaxial cable and other transmission media that are components of  
9 carrier systems.

10 4. Machinery, equipment or transmission lines used directly in  
11 producing or transmitting electrical power, but not including distribution.  
12 Transformers and control equipment used at transmission substation sites  
13 constitute equipment used in producing or transmitting electrical power.

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

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

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

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

29 (b) Any foreign government.

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

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

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

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

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

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

9           13. New machinery and equipment consisting of tractors, tractor-drawn  
10 implements, self-powered implements, machinery and equipment necessary for  
11 extracting milk, and machinery and equipment necessary for cooling milk and  
12 livestock, and drip irrigation lines not already exempt under paragraph 6 of  
13 this subsection and that are used for commercial production of agricultural,  
14 horticultural, viticultural and floricultural crops and products in this  
15 state. For the purposes of this paragraph:

16           (a) "New machinery and equipment" means machinery and equipment that  
17 have never been sold at retail except pursuant to leases or rentals that do  
18 not total two years or more.

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

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

33           15. Tangible personal property that is used by either of the following  
34 to receive, store, convert, produce, generate, decode, encode, control or  
35 transmit telecommunications information:

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

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

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

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

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

10 16. Clean rooms that are used for manufacturing, processing,  
11 fabrication or research and development, as defined in paragraph 14 of this  
12 subsection, of semiconductor products. For the purposes of this paragraph,  
13 "clean room" means all property that comprises or creates an environment  
14 where humidity, temperature, particulate matter and contamination are  
15 precisely controlled within specified parameters, without regard to whether  
16 the property is actually contained within that environment or whether any of  
17 the property is affixed to or incorporated into real property. Clean room:

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

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

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

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

40 19. Machinery and equipment that are sold to a person engaged in the  
41 commercial production of livestock, livestock products or agricultural,  
42 horticultural, viticultural or floricultural crops or products in this state  
43 and that are used directly and primarily to prevent, monitor, control or  
44 reduce air, water or land pollution.

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

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

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

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

15           21. Qualifying equipment that is purchased from and after June 30, 2004  
16 through June 30, 2024 by a qualified business under section 41-1516 for  
17 harvesting or processing qualifying forest products removed from qualifying  
18 projects as defined in section 41-1516. To qualify for this deduction, the  
19 qualified business at the time of purchase must present its certification  
20 approved by the department.

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

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

27           2. Janitorial equipment and hand tools.

28           3. Office equipment, furniture and supplies.

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

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

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

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

39           8. Machinery and equipment or other tangible personal property used by  
40 a contractor in the performance of a contract.

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

1 manufacturing, producing or processing facility as described in section  
2 41-1514.02. This subsection applies for ten full consecutive calendar or  
3 fiscal years after the start of initial construction.

4 E. In computing the tax base, gross proceeds of sales or gross income  
5 from retail sales of heavy trucks and trailers does not include any amount  
6 attributable to federal excise taxes imposed by 26 United States Code section  
7 4051.

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

12 G. If a person is engaged in an occupation or business to which  
13 subsection A of this section applies, the person's books shall be kept so as  
14 to show separately the gross proceeds of sales of tangible personal property  
15 and the gross income from sales of services, and if not so kept the tax shall  
16 be imposed on the total of the person's gross proceeds of sales of tangible  
17 personal property and gross income from services.

18 H. If a person is engaged in the business of selling tangible personal  
19 property at both wholesale and retail, the tax under this section applies  
20 only to the gross proceeds of the sales made other than at wholesale if the  
21 person's books are kept so as to show separately the gross proceeds of sales  
22 of each class, and if the books are not so kept, the tax under this section  
23 applies to the gross proceeds of every sale so made.

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

- 32 1. Transporting classification.
- 33 2. Utilities classification.
- 34 3. Telecommunications classification.
- 35 4. Pipeline classification.
- 36 5. Private car line classification.
- 37 6. Publication classification.
- 38 7. Job printing classification.
- 39 8. Prime contracting classification.
- 40 9. Restaurant classification.

41 J. The gross proceeds of sales or gross income derived from the  
42 following shall be deducted from the tax base for the retail classification:

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

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

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

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

16          K. There shall be deducted from the tax base fifty per cent of the  
17    gross proceeds or gross income from any sale of tangible personal property  
18    made directly to the United States government or its departments or agencies  
19    that is not deducted under subsection J of this section.

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

25          M. In computing the tax base, gross proceeds of sales or gross income  
26    does not include:

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

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

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

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

42          P. For the purposes of this section, a sale of wireless  
43    telecommunications equipment to a person who holds the equipment for sale or  
44    transfer to a customer as an inducement to enter into or continue a contract

1 for telecommunications services that are taxable under section 42-5064 is  
2 considered to be a sale for resale in the regular course of business.

3 Q. Retail sales of prepaid calling cards or prepaid authorization  
4 numbers for telecommunications services, including sales of reauthorization  
5 of a prepaid card or authorization number, are subject to tax under this  
6 section.

7 R. For the purposes of this section, the diversion of gas from a  
8 pipeline by a person engaged in the business of:

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

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

15 S. FOR THE PURPOSES OF THIS SECTION, THE TRANSFER OF TITLE OR  
16 POSSESSION OF COAL FROM AN OWNER OR OPERATOR OF A POWER PLANT TO A PERSON IN  
17 THE BUSINESS OF REFINING COAL IS NOT A SALE OF COAL IF BOTH OF THE FOLLOWING  
18 APPLY:

19 1. THE TRANSFER OF TITLE OR POSSESSION OF THE COAL IS FOR THE PURPOSE  
20 OF REFINING THE COAL.

21 2. THE TITLE OR POSSESSION OF THE COAL IS TRANSFERRED BACK TO THE  
22 OWNER OR OPERATOR OF THE POWER PLANT AFTER COMPLETION OF THE COAL REFINING  
23 PROCESS. FOR THE PURPOSES OF THIS PARAGRAPH, "COAL REFINING PROCESS" MEANS  
24 THE APPLICATION OF A COAL ADDITIVE SYSTEM THAT AIDS IN THE REDUCTION OF POWER  
25 PLANT EMISSIONS DURING THE COMBUSTION OF COAL AND THE TREATMENT OF FLUE GAS.

26 ~~S.~~ T. If a seller is entitled to a deduction pursuant to subsection  
27 B, paragraph 15, subdivision (b) of this section, the department may require  
28 the purchaser to establish that the requirements of subsection B, paragraph  
29 15, subdivision (b) of this section have been satisfied. If the purchaser  
30 cannot establish that the requirements of subsection B, paragraph 15,  
31 subdivision (b) of this section have been satisfied, the purchaser is liable  
32 in an amount equal to any tax, penalty and interest which the seller would  
33 have been required to pay under article 1 of this chapter if the seller had  
34 not made a deduction pursuant to subsection B, paragraph 15, subdivision (b)  
35 of this section. Payment of the amount under this subsection exempts the  
36 purchaser from liability for any tax imposed under article 4 of this chapter  
37 and related to the tangible personal property purchased. The amount shall be  
38 treated as transaction privilege tax to the purchaser and as tax revenues  
39 collected from the seller to designate the distribution base pursuant to  
40 section 42-5029.

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

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

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

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

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

17           1. "Aircraft" includes:

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

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

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

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

32           ~~W.~~ X. For the purposes of subsection J of this section:

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

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

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

42           4. "Overhead materials" means tangible personal property, the gross  
43 proceeds of sales or gross income derived from that would otherwise be  
44 included in the retail classification, and that are used or consumed in the  
45 performance of a contract, the cost of which is charged to an overhead

1 expense account and allocated to various contracts based on generally  
2 accepted accounting principles and consistent with government contract  
3 accounting standards.

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

6 6. "Subcontract" means an agreement between a contractor and any  
7 person who is not an employee of the contractor for furnishing of supplies or  
8 services that, in whole or in part, are necessary to the performance of one  
9 or more government contracts, or under which any portion of the contractor's  
10 obligation under one or more government contracts is performed, undertaken or  
11 assumed and that includes provisions causing title to overhead materials or  
12 other tangible personal property used in the performance of the subcontract  
13 to pass to the government or that includes provisions incorporating such  
14 title passing clauses in a government contract into the subcontract. For the  
15 purposes of this paragraph, "contractor" has its ordinary and common meaning  
16 ~~and does not have the meaning prescribed by section 42-5001.~~

17 Sec. 3. Section 42-5072, Arizona Revised Statutes, is amended to read:  
18 42-5072. Mining classification; definition

19 A. The mining classification is comprised of the business of mining,  
20 quarrying or producing for sale, profit or commercial use any  
21 nonmetalliferous mineral product that has been mined, quarried or otherwise  
22 extracted within the boundaries of this state described in article I, section  
23 1, Constitution of Arizona.

24 B. The tax base for the mining classification is the gross proceeds of  
25 sales or gross income derived from the business. The gross proceeds of sales  
26 or gross income derived from sales described under section 42-5061,  
27 subsection A, paragraph 27 and subsection J, paragraph 2 shall be deducted  
28 from the tax base.

29 C. The tax base includes the value of the entire product mined,  
30 quarried or produced for sale, profit or commercial use in this state,  
31 regardless of the place of sale of the product or of the fact that deliveries  
32 may be made to points without this state. If, however, the sale price of the  
33 product includes freight, the sale price shall be reduced by the actual  
34 freight paid by any person from the place of production to the place of  
35 delivery.

36 D. In the case of a person engaged in business classified under the  
37 mining classification all or part of whose income is derived from service or  
38 manufacturing charges instead of from sales of the products manufactured or  
39 handled, the tax base includes the gross income of the person derived from  
40 the service or manufacturing charge.

41 E. If a person engaging in business classified under the mining  
42 classification ships or transports all or part of a product out of this state  
43 without making sale of the product or ships his product outside of this state  
44 in an unfinished condition, the value of the product or article in the  
45 condition or form in which it existed when transported out of this state and

1 before it enters interstate commerce is included in the tax base, and the  
2 department shall prescribe equitable and uniform rules for ascertaining that  
3 value. In determining the tax base, if the product or any part of the  
4 product has been processed in this state and the proceeds of such processing  
5 have been included in the tax base of the processor under this chapter, the  
6 person may deduct from the value of the product when transported out of this  
7 state the cost of such processing.

8 F. A person who conducts a business classified under the mining  
9 classification may be deemed also to be engaged in business classified under  
10 the retail classification to the extent the person's activities comprise  
11 business under the retail classification if the tax is paid at the rate  
12 imposed on the retail classification by section 42-5010. If the transaction  
13 is not subject to taxation under the retail classification, the transaction  
14 shall be included in the tax base under this section, EXCEPT FOR THE TRANSFER  
15 OF TITLE OR POSSESSION OF COAL BACK AND FORTH BETWEEN AN OWNER OR OPERATOR OF  
16 A POWER PLANT AND A PERSON WHO IS RESPONSIBLE FOR REFINING COAL IF BOTH OF  
17 THE FOLLOWING APPLY:

18 1. THE TRANSFER OF TITLE OR POSSESSION OF THE COAL IS FOR THE PURPOSE  
19 OF REFINING THE COAL.

20 2. THE TITLE OR POSSESSION OF THE COAL IS TRANSFERRED BACK TO THE  
21 OWNER OR OPERATOR OF THE POWER PLANT AFTER COMPLETION OF THE COAL REFINING  
22 PROCESS. FOR THE PURPOSES OF THIS PARAGRAPH, "COAL REFINING PROCESS" MEANS  
23 THE APPLICATION OF A COAL ADDITIVE SYSTEM THAT AIDS THE REDUCTION OF POWER  
24 PLANT EMISSIONS DURING THE COMBUSTION OF COAL AND THE TREATMENT OF FLUE GAS.

25 G. For the purposes of this section, "nonmetalliferous mineral  
26 product" means oil, natural gas, limestone, sand, gravel or any other  
27 nonmetalliferous mineral product, compound or combination of nonmetalliferous  
28 mineral products.

29 Sec. 4. Section 42-5151, Arizona Revised Statutes, is amended to read:  
30 42-5151. Definitions

31 In this article, unless the context otherwise requires:

32 1. "Ancillary services" means those services so designated in federal  
33 energy regulatory commission order 888 adopted in 1996 that include the  
34 services necessary to support the transmission of electricity from resources  
35 to loads while maintaining reliable operation of the transmission system  
36 according to good utility practice.

37 2. "Electric distribution service" means distributing electricity to  
38 retail electric customers through the use of electric distribution  
39 facilities.

40 3. "Electric generation service" means providing electricity for sale  
41 to retail electric customers but excluding electric distribution or  
42 transmission services.

43 4. "Electric transmission service" means transmitting electricity to  
44 retail electric customers or to electric distribution facilities so

1 classified by the federal energy regulatory commission or, to the extent  
2 permitted by law, so classified by the Arizona corporation commission.

3 5. "Electric utility services" means the business of providing  
4 electric ancillary services, electric distribution services, electric  
5 generation services, electric transmission services and other services  
6 related to providing electricity.

7 6. "Electricity" means electric energy, electric capacity or electric  
8 capacity and energy.

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

12 8. "Natural gas" means natural or artificial gas, and includes methane  
13 and propane gas, the natural gas commodity, natural gas pipeline capacity or  
14 natural gas commodity and pipeline capacity.

15 9. "Natural gas utility services" means the business of selling  
16 natural gas or providing natural gas transportation services or other  
17 services related to providing natural gas.

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

21 11. "Other services" includes metering, meter reading services, billing  
22 and collecting services.

23 12. "Person" means an individual, firm, partnership, joint venture,  
24 association, corporation, estate, trust, receiver or syndicate, this state or  
25 a county, city, municipality, district or other political subdivision or  
26 agency thereof.

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

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

38 (a) Discounts allowed and taken.

39 (b) Charges for labor or services in installing, remodeling or  
40 repairing.

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

1 (d) Amounts attributable to federal excise taxes imposed by 26 United  
2 States Code section 4001, 4051 or 4081 on sales of heavy trucks and trailers  
3 and automobiles or on sales of use fuel, as defined in section 28-5601.

4 (e) The value of merchandise that is traded in on the purchase of new  
5 or pre-owned merchandise when the trade-in allowance is deducted from the  
6 sales price of the new or pre-owned merchandise before the completion of the  
7 sale.

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

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

14 17. "Retailer" includes:

15 (a) Every person engaged in the business of making sales of tangible  
16 personal property for storage, use or other consumption or in the business of  
17 making sales at auction of tangible personal property owned by that person or  
18 others for storage, use or other consumption. If in the opinion of the  
19 department it is necessary for the efficient administration of this article  
20 to regard any salesmen, representatives, peddlers or canvassers as the agents  
21 of the dealers, distributors, supervisors or employers under whom they  
22 operate or from whom they obtain the tangible personal property sold by them,  
23 regardless of whether they are making sales on their own behalf or on behalf  
24 of such dealers, distributors, supervisors or employers, the department may  
25 so regard them and may regard the dealers, distributors, supervisors or  
26 employers as retailers for purposes of this article.

27 (b) A person who solicits orders for tangible personal property by  
28 mail if the solicitations are substantial and recurring or if the retailer  
29 benefits from any banking, financing, debt collection, telecommunication,  
30 television shopping system, cable, optic, microwave or other communication  
31 system or marketing activities occurring in this state or benefits from the  
32 location in this state of authorized installation, servicing or repair  
33 facilities.

34 18. "Solar daylighting" means a device that is specifically designed to  
35 capture and redirect the visible portion of the solar beam, while controlling  
36 the infrared portion, for use in illuminating interior building spaces in  
37 lieu of artificial lighting.

38 19. "Solar energy device" means a system or series of mechanisms  
39 designed primarily to provide heating, to provide cooling, to produce  
40 electrical power, to produce mechanical power, to provide solar daylighting  
41 or to provide any combination of the foregoing by means of collecting and  
42 transferring solar generated energy into such uses by either active or  
43 passive means, including wind generator systems that produce electricity.  
44 Solar energy systems may also have the capability of storing solar energy for  
45 future use. Passive systems shall clearly be designed as a solar energy

1 device, such as a trombe wall, and not merely as a part of a normal  
2 structure, such as a window.

3 20. "Storage" means keeping or retaining tangible personal property  
4 purchased from a retailer for any purpose except sale in the regular course  
5 of business or subsequent use solely outside this state. FOR THE PURPOSES OF  
6 THIS PARAGRAPH, SALE IN THE REGULAR COURSE OF BUSINESS DOES NOT INCLUDE THE  
7 TRANSFER OF TITLE OR POSSESSION OF COAL BACK AND FORTH BETWEEN AN OWNER OR  
8 OPERATOR OF A POWER PLANT AND A PERSON WHO IS RESPONSIBLE FOR REFINING COAL  
9 IF BOTH OF THE FOLLOWING APPLY:

10 (a) THE TRANSFER OF TITLE OR POSSESSION OF THE COAL IS FOR THE PURPOSE  
11 OF REFINING THE COAL.

12 (b) THE TITLE OR POSSESSION OF THE COAL IS TRANSFERRED BACK TO THE  
13 OWNER OR OPERATOR OF THE POWER PLANT AFTER COMPLETION OF THE COAL REFINING  
14 PROCESS. FOR THE PURPOSES OF THIS SUBDIVISION, "COAL REFINING PROCESS" MEANS  
15 THE APPLICATION OF A COAL ADDITIVE SYSTEM THAT AIDS THE REDUCTION OF POWER  
16 PLANT EMISSIONS DURING THE COMBUSTION OF COAL AND THE TREATMENT OF FLUE GAS.

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

21 22. "Use or consumption" means the exercise of any right or power over  
22 tangible personal property incidental to owning the property except holding  
23 for sale or selling the property in the regular course of business. FOR THE  
24 PURPOSES OF THIS PARAGRAPH, SELLING THE PROPERTY IN THE REGULAR COURSE OF  
25 BUSINESS DOES NOT INCLUDE THE TRANSFER OF TITLE OR POSSESSION OF COAL BACK  
26 AND FORTH BETWEEN AN OWNER OR OPERATOR OF A POWER PLANT AND A PERSON WHO IS  
27 RESPONSIBLE FOR REFINING COAL IF BOTH OF THE FOLLOWING APPLY:

28 (a) THE TRANSFER OF TITLE OR POSSESSION OF THE COAL IS FOR THE PURPOSE  
29 OF REFINING THE COAL.

30 (b) THE TITLE OR POSSESSION OF THE COAL IS TRANSFERRED BACK TO THE  
31 OWNER OR OPERATOR OF THE POWER PLANT AFTER COMPLETION OF THE COAL REFINING  
32 PROCESS. FOR THE PURPOSES OF THIS SUBDIVISION, "COAL REFINING PROCESS" MEANS  
33 THE APPLICATION OF A COAL ADDITIVE SYSTEM THAT AIDS THE REDUCTION OF POWER  
34 PLANT EMISSIONS DURING THE COMBUSTION OF COAL AND THE TREATMENT OF FLUE GAS.

35 23. "Utility business" means a person that is engaged in the business  
36 of providing electric utility services to retail electric customers or  
37 natural gas utility services to retail natural gas customers.

38 Sec. 5. Section 42-5159, Arizona Revised Statutes, as amended by Laws  
39 2013, first special session, chapter 9, section 7, is amended to read:

40 42-5159. Exemptions

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

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

4           2. Tangible personal property the sale or use of which has already  
5 been subjected to an excise tax at a rate equal to or exceeding the tax  
6 imposed by this article under the laws of another state of the United States.  
7 If the excise tax imposed by the other state is at a rate less than the tax  
8 imposed by this article, the tax imposed by this article is reduced by the  
9 amount of the tax already imposed by the other state.

10           3. Tangible personal property, the storage, use or consumption of  
11 which the constitution or laws of the United States prohibit this state from  
12 taxing or to the extent that the rate or imposition of tax is  
13 unconstitutional under the laws of the United States.

14           4. Tangible personal property ~~which~~ THAT directly enters into and  
15 becomes an ingredient or component part of any manufactured, fabricated or  
16 processed article, substance or commodity for sale in the regular course of  
17 business.

18           5. Motor vehicle fuel and use fuel, the sales, distribution or use of  
19 which in this state is subject to the tax imposed under title 28, chapter 16,  
20 article 1, use fuel ~~which~~ THAT is sold to or used by a person holding a valid  
21 single trip use fuel tax permit issued under section 28-5739, aviation fuel,  
22 the sales, distribution or use of which in this state is subject to the tax  
23 imposed under section 28-8344, and jet fuel, the sales, distribution or use  
24 of which in this state is subject to the tax imposed under article 8 of this  
25 chapter.

26           6. Tangible personal property brought into this state by an individual  
27 who was a nonresident at the time the property was purchased for storage, use  
28 or consumption by the individual if the first actual use or consumption of  
29 the property was outside this state, unless the property is used in  
30 conducting a business in this state.

31           7. Purchases of implants used as growth promotants and injectable  
32 medicines, not already exempt under paragraph 16 of this subsection, for  
33 livestock and poultry owned by, or in possession of, persons who are engaged  
34 in producing livestock, poultry, or livestock or poultry products, or who are  
35 engaged in feeding livestock or poultry commercially. For the purposes of  
36 this paragraph, "poultry" includes ratites.

37           8. Livestock, poultry, supplies, feed, salts, vitamins and other  
38 additives for use or consumption in the businesses of farming, ranching and  
39 feeding livestock or poultry, not including fertilizers, herbicides and  
40 insecticides. For the purposes of this paragraph, "poultry" includes  
41 ratites.

42           9. Seeds, seedlings, roots, bulbs, cuttings and other propagative  
43 material for use in commercially producing agricultural, horticultural,  
44 viticultural or floricultural crops in this state.

1           10. Tangible personal property not exceeding two hundred dollars in any  
2 one month purchased by an individual at retail outside the continental limits  
3 of the United States for the individual's own personal use and enjoyment.

4           11. Advertising supplements ~~which~~ THAT are intended for sale with  
5 newspapers published in this state and ~~which~~ THAT have already been subjected  
6 to an excise tax under the laws of another state in the United States which  
7 equals or exceeds the tax imposed by this article.

8           12. Materials that are purchased by or for publicly funded libraries  
9 including school district libraries, charter school libraries, community  
10 college libraries, state university libraries or federal, state, county or  
11 municipal libraries for use by the public as follows:

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

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

14           13. Tangible personal property purchased by:

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

18           (b) A hospital operated by this state or a political subdivision of  
19 this state.

20           (c) A licensed nursing care institution or a licensed residential care  
21 institution or a residential care facility operated in conjunction with a  
22 licensed nursing care institution or a licensed kidney dialysis center, which  
23 provides medical services, nursing services or health related services and is  
24 not used or held for profit.

25           (d) A qualifying health care organization, as defined in section  
26 42-5001, if the tangible personal property is used by the organization solely  
27 to provide health and medical related educational and charitable services.

28           (e) A qualifying health care organization as defined in section  
29 42-5001 if the organization is dedicated to providing educational,  
30 therapeutic, rehabilitative and family medical education training for blind,  
31 visually impaired and multihandicapped children from the time of birth to age  
32 twenty-one.

33           (f) A nonprofit charitable organization that has qualified under  
34 section 501(c)(3) of the United States internal revenue code and that engages  
35 in and uses such property exclusively in programs for mentally or physically  
36 handicapped persons if the programs are exclusively for training, job  
37 placement, rehabilitation or testing.

38           (g) A person that is subject to tax under article 1 of this chapter by  
39 reason of being engaged in business classified under the prime contracting  
40 classification under section 42-5075, or a subcontractor working under the  
41 control of a prime contractor, if the tangible personal property is any of  
42 the following:

43           (i) Incorporated or fabricated by the contractor into a structure,  
44 project, development or improvement in fulfillment of a contract.

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

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

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

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

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

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

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

30 15. Tangible personal property sold by:

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

34 (b) A nonprofit organization that is exempt from taxation under  
35 section 501(c)(3) or 501(c)(6) of the internal revenue code if the  
36 organization is associated with a major league baseball team or a national  
37 touring professional golfing association and no part of the organization's  
38 net earnings inures to the benefit of any private shareholder or individual.

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

1           16. Drugs and medical oxygen, including delivery hose, mask or tent,  
2 regulator and tank, on the prescription of a member of the medical, dental or  
3 veterinarian profession who is licensed by law to administer such substances.

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

8           18. Prescription eyeglasses and contact lenses.

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

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

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

17          22. Food, as provided in and subject to the conditions of article 3 of  
18 this chapter and section 42-5074.

19          23. Items purchased with United States department of agriculture food  
20 stamp coupons issued under the food stamp act of 1977 (P.L. 95-113; 91 Stat.  
21 958) or food instruments issued under section 17 of the child nutrition act  
22 (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42 United States Code  
23 section 1786).

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

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

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

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

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

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

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

44          31. Coal, petroleum, coke, natural gas, virgin fuel oil and electricity  
45 purchased by a qualified environmental technology manufacturer, producer or

1 processor as defined in section 41-1514.02 and directly used or consumed in  
2 the generation or provision of on-site power or energy solely for  
3 environmental technology manufacturing, producing or processing or  
4 environmental protection. This paragraph shall apply for twenty full  
5 consecutive calendar or fiscal years from the date the first paper  
6 manufacturing machine is placed in service. In the case of an environmental  
7 technology manufacturer, producer or processor who does not manufacture  
8 paper, the time period shall begin with the date the first manufacturing,  
9 processing or production equipment is placed in service.

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

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

14 (b) Public educational institutions.

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

18 33. Natural gas or liquefied petroleum gas used to propel a motor  
19 vehicle.

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

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

38 36. Food, drink and condiment purchased for consumption within the  
39 premises of any prison, jail or other institution under the jurisdiction of  
40 the state department of corrections, the department of public safety, the  
41 department of juvenile corrections or a county sheriff.

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

1           38. Tangible personal property ~~which~~ THAT is or directly enters into  
2 and becomes an ingredient or component part of cards used as prescription  
3 plan identification cards.

4           39. Overhead materials or other tangible personal property that is used  
5 in performing a contract between the United States government and a  
6 manufacturer, modifier, assembler or repairer, including property used in  
7 performing a subcontract with a government contractor who is a manufacturer,  
8 modifier, assembler or repairer, to which title passes to the government  
9 under the terms of the contract or subcontract. For the purposes of this  
10 paragraph:

11           (a) "Overhead materials" means tangible personal property, the gross  
12 proceeds of sales or gross income derived from which would otherwise be  
13 included in the retail classification, ~~and which are~~ THAT IS used or consumed  
14 in the performance of a contract, the cost of which is charged to an overhead  
15 expense account and allocated to various contracts based upon generally  
16 accepted accounting principles and consistent with government contract  
17 accounting standards.

18           (b) "Subcontract" means an agreement between a contractor and any  
19 person who is not an employee of the contractor for furnishing of supplies or  
20 services that, in whole or in part, are necessary to the performance of one  
21 or more government contracts, or under which any portion of the contractor's  
22 obligation under one or more government contracts is performed, undertaken or  
23 assumed, and that includes provisions causing title to overhead materials or  
24 other tangible personal property used in the performance of the subcontract  
25 to pass to the government or that includes provisions incorporating such  
26 title passing clauses in a government contract into the subcontract.

27           40. Through December 31, 1994, tangible personal property sold pursuant  
28 to a personal property liquidation transaction, as defined in section  
29 42-5061. From and after December 31, 1994, tangible personal property sold  
30 pursuant to a personal property liquidation transaction, as defined in  
31 section 42-5061, if the gross proceeds of the sales were included in the  
32 measure of the tax imposed by article 1 of this chapter or if the personal  
33 property liquidation was a casual activity or transaction.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

44 52. Repair parts installed in equipment used directly by a qualified  
45 business under section 41-1516 in harvesting, processing or transporting

1 qualifying forest products removed from qualifying projects as defined in  
2 section 41-1516.

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

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

21 55. COAL ACQUIRED FROM AN OWNER OR OPERATOR OF A POWER PLANT BY A  
22 PERSON WHO IS RESPONSIBLE FOR REFINING COAL IF BOTH OF THE FOLLOWING APPLY:

23 (a) THE TRANSFER OF TITLE OR POSSESSION OF THE COAL IS FOR THE PURPOSE  
24 OF REFINING THE COAL.

25 (b) THE TITLE OR POSSESSION OF THE COAL IS TRANSFERRED BACK TO THE  
26 OWNER OR OPERATOR OF THE POWER PLANT AFTER COMPLETION OF THE COAL REFINING  
27 PROCESS. FOR THE PURPOSES OF THIS SUBDIVISION, "COAL REFINING PROCESS" MEANS  
28 THE APPLICATION OF A COAL ADDITIVE SYSTEM THAT AIDS THE REDUCTION OF POWER  
29 PLANT EMISSIONS DURING THE COMBUSTION OF COAL AND THE TREATMENT OF FLUE GAS.

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

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

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

1           3. Tangible personal property sold to persons engaged in business  
2 classified under the telecommunications classification under section 42-5064  
3 and consisting of central office switching equipment, switchboards, private  
4 branch exchange equipment, microwave radio equipment and carrier equipment  
5 including optical fiber, coaxial cable and other transmission media ~~which~~  
6 THAT are components of carrier systems.

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

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

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

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

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

26           (b) Any foreign government, or sold to persons who are not residents  
27 of this state and who will not use such property in this state other than in  
28 removing such property from this state.

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

33           9. Rolling stock, rails, ties and signal control equipment used  
34 directly to transport persons or property.

35           10. Machinery or equipment used directly to drill for oil or gas or  
36 used directly in the process of extracting oil or gas from the earth for  
37 commercial purposes.

38           11. Buses or other urban mass transit vehicles ~~which~~ THAT are used  
39 directly to transport persons or property for hire or pursuant to a  
40 governmentally adopted and controlled urban mass transportation program and  
41 ~~which~~ THAT are sold to bus companies holding a federal certificate of  
42 convenience and necessity or operated by any city, town or other governmental  
43 entity or by any person contracting with such governmental entity as part of  
44 a governmentally adopted and controlled program to provide urban mass  
45 transportation.

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

2           13. New machinery and equipment consisting of tractors, tractor-drawn  
3 implements, self-powered implements, machinery and equipment necessary for  
4 extracting milk, and machinery and equipment necessary for cooling milk and  
5 livestock, and drip irrigation lines not already exempt under paragraph 6 of  
6 this subsection and that are used for commercial production of agricultural,  
7 horticultural, viticultural and floricultural crops and products in this  
8 state. For the purposes of this paragraph:

9           (a) "New machinery and equipment" means machinery or equipment ~~which~~  
10 THAT has never been sold at retail except pursuant to leases or rentals ~~which~~  
11 THAT do not total two years or more.

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

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

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

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

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

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

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

42 For the purposes of subdivision (b) of this paragraph, "test period" means  
43 the three hundred sixty-five day period beginning on the later of the date on  
44 which the tangible personal property is purchased or the date on which the

1 direct broadcast satellite television or data transmission service first  
2 transmits information to its customers.

3 16. Clean rooms that are used for manufacturing, processing,  
4 fabrication or research and development, as defined in paragraph 14 of this  
5 subsection, of semiconductor products. For the purposes of this paragraph,  
6 "clean room" means all property that comprises or creates an environment  
7 where humidity, temperature, particulate matter and contamination are  
8 precisely controlled within specified parameters, without regard to whether  
9 the property is actually contained within that environment or whether any of  
10 the property is affixed to or incorporated into real property. Clean room:

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

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

19 17. Machinery and equipment that are used directly in the feeding of  
20 poultry, the environmental control of housing for poultry, the movement of  
21 eggs within a production and packaging facility or the sorting or cooling of  
22 eggs. This exemption does not apply to vehicles used for transporting eggs.

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

33 19. Machinery and equipment that are used in the commercial production  
34 of livestock, livestock products or agricultural, horticultural, viticultural  
35 or floricultural crops or products in this state and that are used directly  
36 and primarily to prevent, monitor, control or reduce air, water or land  
37 pollution.

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

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

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

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

8 21. Qualifying equipment that is purchased from and after June 30, 2004  
9 through June 30, 2024 by a qualified business under section 41-1516 for  
10 harvesting or processing qualifying forest products removed from qualifying  
11 projects as defined in section 41-1516. To qualify for this exemption, the  
12 qualified business must obtain and present its certification from the Arizona  
13 commerce authority at the time of purchase.

14 C. The exemptions provided by subsection B of this section do not  
15 include:

16 1. Expendable materials. For the purposes of this paragraph,  
17 expendable materials do not include any of the categories of tangible  
18 personal property specified in subsection B of this section regardless of the  
19 cost or useful life of that property.

20 2. Janitorial equipment and hand tools.

21 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

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

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

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

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

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

16 G. For the purposes of subsection B of this section:

17 1. "Aircraft" includes:

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

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

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

27 H. For the purposes of subsection D of this section, "ancillary  
28 services", "electric distribution service", "electric generation service",  
29 "electric transmission service" and "other services" have the same meanings  
30 prescribed in section 42-5063.

31 Sec. 6. Section 42-5159, Arizona Revised Statutes, as amended by Laws  
32 2013, chapter 255, section 17, is amended to read:

33 42-5159. Exemptions

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

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

40 2. Tangible personal property the sale or use of which has already  
41 been subjected to an excise tax at a rate equal to or exceeding the tax  
42 imposed by this article under the laws of another state of the United States.  
43 If the excise tax imposed by the other state is at a rate less than the tax  
44 imposed by this article, the tax imposed by this article is reduced by the  
45 amount of the tax already imposed by the other state.

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

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

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

16           6. Tangible personal property brought into this state by an individual  
17 who was a nonresident at the time the property was purchased for storage, use  
18 or consumption by the individual if the first actual use or consumption of  
19 the property was outside this state, unless the property is used in  
20 conducting a business in this state.

21           7. Purchases of implants used as growth promotants and injectable  
22 medicines, not already exempt under paragraph 16 of this subsection, for  
23 livestock and poultry owned by, or in possession of, persons who are engaged  
24 in producing livestock, poultry, or livestock or poultry products, or who are  
25 engaged in feeding livestock or poultry commercially. For the purposes of  
26 this paragraph, "poultry" includes ratites.

27           8. Livestock, poultry, supplies, feed, salts, vitamins and other  
28 additives for use or consumption in the businesses of farming, ranching and  
29 feeding livestock or poultry, not including fertilizers, herbicides and  
30 insecticides. For the purposes of this paragraph, "poultry" includes  
31 ratites.

32           9. Seeds, seedlings, roots, bulbs, cuttings and other propagative  
33 material for use in commercially producing agricultural, horticultural,  
34 viticultural or floricultural crops in this state.

35           10. Tangible personal property not exceeding two hundred dollars in any  
36 one month purchased by an individual at retail outside the continental limits  
37 of the United States for the individual's own personal use and enjoyment.

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

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

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

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

3 13. Tangible personal property purchased by:

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

7 (b) A hospital operated by this state or a political subdivision of  
8 this state.

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

14 (d) A qualifying health care organization, as defined in section  
15 42-5001, if the tangible personal property is used by the organization solely  
16 to provide health and medical related educational and charitable services.

17 (e) A qualifying health care organization as defined in section  
18 42-5001 if the organization is dedicated to providing educational,  
19 therapeutic, rehabilitative and family medical education training for blind,  
20 visually impaired and multihandicapped children from the time of birth to age  
21 twenty-one.

22 (f) A nonprofit charitable organization that has qualified under  
23 section 501(c)(3) of the United States internal revenue code and that engages  
24 in and uses such property exclusively in programs for mentally or physically  
25 handicapped persons if the programs are exclusively for training, job  
26 placement, rehabilitation or testing.

27 (g) A person that is subject to tax under article 1 of this chapter by  
28 reason of being engaged in business classified under the prime contracting  
29 classification under section 42-5075, or a subcontractor working under the  
30 control of a prime contractor, if the tangible personal property is any of  
31 the following:

32 (i) Incorporated or fabricated by the contractor into a structure,  
33 project, development or improvement in fulfillment of a contract.

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

36 (h) A nonprofit charitable organization that has qualified under  
37 section 501(c)(3) of the internal revenue code if the property is purchased  
38 from the parent or an affiliate organization that is located outside this  
39 state.

40 (i) A qualifying community health center as defined in section  
41 42-5001.

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

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

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

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

19 15. Tangible personal property sold by:

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

23 (b) A nonprofit organization that is exempt from taxation under  
24 section 501(c)(3) or 501(c)(6) of the internal revenue code if the  
25 organization is associated with a major league baseball team or a national  
26 touring professional golfing association and no part of the organization's  
27 net earnings inures to the benefit of any private shareholder or individual.

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

33 16. Drugs and medical oxygen, including delivery hose, mask or tent,  
34 regulator and tank, on the prescription of a member of the medical, dental or  
35 veterinarian profession who is licensed by law to administer such substances.

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

40 18. Prescription eyeglasses and contact lenses.

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

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

43 21. Durable medical equipment that has a centers for medicare and  
44 medicaid services common procedure code, is designated reimbursable by  
45 medicare, is prescribed by a person who is licensed under title 32, chapter

1 7, 13, 17 or 29, can withstand repeated use, is primarily and customarily  
2 used to serve a medical purpose, is generally not useful to a person in the  
3 absence of illness or injury and is appropriate for use in the home.

4 22. Food, as provided in and subject to the conditions of article 3 of  
5 this chapter and section 42-5074.

6 23. Items purchased with United States department of agriculture food  
7 stamp coupons issued under the food stamp act of 1977 (P.L. 95-113; 91 Stat.  
8 958) or food instruments issued under section 17 of the child nutrition act  
9 (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42 United States Code  
10 section 1786).

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

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

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

22 27. Lottery tickets or shares purchased pursuant to title 5, chapter  
23 5.1, article 1.

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

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

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

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

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

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

1 (b) Public educational institutions.

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

5 33. Natural gas or liquefied petroleum gas used to propel a motor  
6 vehicle.

7 34. Machinery, equipment, technology or related supplies that are only  
8 useful to assist a person who is physically disabled as defined in section  
9 46-191, has a developmental disability as defined in section 36-551 or has a  
10 head injury as defined in section 41-3201 to be more independent and  
11 functional.

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

25 36. Food, drink and condiment purchased for consumption within the  
26 premises of any prison, jail or other institution under the jurisdiction of  
27 the state department of corrections, the department of public safety, the  
28 department of juvenile corrections or a county sheriff.

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

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

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

43 (a) "Overhead materials" means tangible personal property, the gross  
44 proceeds of sales or gross income derived from which would otherwise be  
45 included in the retail classification, that is used or consumed in the

1 performance of a contract, the cost of which is charged to an overhead  
2 expense account and allocated to various contracts based on generally  
3 accepted accounting principles and consistent with government contract  
4 accounting standards.

5 (b) "Subcontract" means an agreement between a contractor and any  
6 person who is not an employee of the contractor for furnishing of supplies or  
7 services that, in whole or in part, are necessary to the performance of one  
8 or more government contracts, or under which any portion of the contractor's  
9 obligation under one or more government contracts is performed, undertaken or  
10 assumed, and that includes provisions causing title to overhead materials or  
11 other tangible personal property used in the performance of the subcontract  
12 to pass to the government or that includes provisions incorporating such  
13 title passing clauses in a government contract into the subcontract.

14 40. Through December 31, 1994, tangible personal property sold pursuant  
15 to a personal property liquidation transaction, as defined in section  
16 42-5061. From and after December 31, 1994, tangible personal property sold  
17 pursuant to a personal property liquidation transaction, as defined in  
18 section 42-5061, if the gross proceeds of the sales were included in the  
19 measure of the tax imposed by article 1 of this chapter or if the personal  
20 property liquidation was a casual activity or transaction.

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

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

27 43. Tangible personal property purchased by a commercial airline and  
28 consisting of food, beverages and condiments and accessories used for serving  
29 the food and beverages, if those items are to be provided without additional  
30 charge to passengers for consumption in flight. For the purposes of this  
31 paragraph, "commercial airline" means a person holding a federal certificate  
32 of public convenience and necessity or foreign air carrier permit for air  
33 transportation to transport persons, property or United States mail in  
34 intrastate, interstate or foreign commerce.

35 44. Alternative fuel vehicles if the vehicle was manufactured as a  
36 diesel fuel vehicle and converted to operate on alternative fuel and  
37 equipment that is installed in a conventional diesel fuel motor vehicle to  
38 convert the vehicle to operate on an alternative fuel, as defined in section  
39 1-215.

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

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

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

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

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

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

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

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

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

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

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

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

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

43 54. COAL ACQUIRED FROM AN OWNER OR OPERATOR OF A POWER PLANT BY A  
44 PERSON WHO IS RESPONSIBLE FOR REFINING COAL IF BOTH OF THE FOLLOWING APPLY:

1 (a) THE TRANSFER OF TITLE OR POSSESSION OF THE COAL IS FOR THE PURPOSE  
2 OF REFINING THE COAL.

3 (b) THE TITLE OR POSSESSION OF THE COAL IS TRANSFERRED BACK TO THE  
4 OWNER OR OPERATOR OF THE POWER PLANT AFTER COMPLETION OF THE COAL REFINING  
5 PROCESS. FOR THE PURPOSES OF THIS SUBDIVISION, "COAL REFINING PROCESS" MEANS  
6 THE APPLICATION OF A COAL ADDITIVE SYSTEM THAT AIDS THE REDUCTION OF POWER  
7 PLANT EMISSIONS DURING THE COMBUSTION OF COAL AND THE TREATMENT OF FLUE GAS.

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

11 1. Machinery, or equipment, used directly in manufacturing,  
12 processing, fabricating, job printing, refining or metallurgical operations.  
13 The terms "manufacturing", "processing", "fabricating", "job printing",  
14 "refining" and "metallurgical" as used in this paragraph refer to and include  
15 those operations commonly understood within their ordinary meaning.  
16 "Metallurgical operations" includes leaching, milling, precipitating,  
17 smelting and refining.

18 2. Machinery, or equipment, used directly in the process of extracting  
19 ores or minerals from the earth for commercial purposes, including equipment  
20 required to prepare the materials for extraction and handling, loading or  
21 transporting such extracted material to the surface. "Mining" includes  
22 underground, surface and open pit operations for extracting ores and  
23 minerals.

24 3. Tangible personal property sold to persons engaged in business  
25 classified under the telecommunications classification under section 42-5064  
26 and consisting of central office switching equipment, switchboards, private  
27 branch exchange equipment, microwave radio equipment and carrier equipment  
28 including optical fiber, coaxial cable and other transmission media that are  
29 components of carrier systems.

30 4. Machinery, equipment or transmission lines used directly in  
31 producing or transmitting electrical power, but not including distribution.  
32 Transformers and control equipment used at transmission substation sites  
33 constitute equipment used in producing or transmitting electrical power.

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

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

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

43 (a) A person holding a federal certificate of public convenience and  
44 necessity, a supplemental air carrier certificate under federal aviation  
45 regulations (14 Code of Federal Regulations part 121) or a foreign air

1 carrier permit for air transportation for use as or in conjunction with or  
2 becoming a part of aircraft to be used to transport persons, property or  
3 United States mail in intrastate, interstate or foreign commerce.

4 (b) Any foreign government, or sold to persons who are not residents  
5 of this state and who will not use such property in this state other than in  
6 removing such property from this state.

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

11 9. Rolling stock, rails, ties and signal control equipment used  
12 directly to transport persons or property.

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

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

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

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

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

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

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

1 included in the definition of research and development, or other  
2 nontechnological activities or technical services.

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

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

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

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

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

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

24 16. Clean rooms that are used for manufacturing, processing,  
25 fabrication or research and development, as defined in paragraph 14 of this  
26 subsection, of semiconductor products. For the purposes of this paragraph,  
27 "clean room" means all property that comprises or creates an environment  
28 where humidity, temperature, particulate matter and contamination are  
29 precisely controlled within specified parameters, without regard to whether  
30 the property is actually contained within that environment or whether any of  
31 the property is affixed to or incorporated into real property. Clean room:

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

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

40 17. Machinery and equipment that are used directly in the feeding of  
41 poultry, the environmental control of housing for poultry, the movement of  
42 eggs within a production and packaging facility or the sorting or cooling of  
43 eggs. This exemption does not apply to vehicles used for transporting eggs.

44 18. Machinery or equipment, including related structural components,  
45 that is employed in connection with manufacturing, processing, fabricating,

1 job printing, refining, mining, natural gas pipelines, metallurgical  
2 operations, telecommunications, producing or transmitting electricity or  
3 research and development and that is used directly to meet or exceed rules or  
4 regulations adopted by the federal energy regulatory commission, the United  
5 States environmental protection agency, the United States nuclear regulatory  
6 commission, the Arizona department of environmental quality or a political  
7 subdivision of this state to prevent, monitor, control or reduce land, water  
8 or air pollution.

9 19. Machinery and equipment that are used in the commercial production  
10 of livestock, livestock products or agricultural, horticultural, viticultural  
11 or floricultural crops or products in this state and that are used directly  
12 and primarily to prevent, monitor, control or reduce air, water or land  
13 pollution.

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

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

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

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

28 21. Qualifying equipment that is purchased from and after June 30, 2004  
29 through June 30, 2024 by a qualified business under section 41-1516 for  
30 harvesting or processing qualifying forest products removed from qualifying  
31 projects as defined in section 41-1516. To qualify for this exemption, the  
32 qualified business must obtain and present its certification from the Arizona  
33 commerce authority at the time of purchase.

34 C. The exemptions provided by subsection B of this section do not  
35 include:

36 1. Expendable materials. For the purposes of this paragraph,  
37 expendable materials do not include any of the categories of tangible  
38 personal property specified in subsection B of this section regardless of the  
39 cost or useful life of that property.

40 2. Janitorial equipment and hand tools.

41 3. Office equipment, furniture and supplies.

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

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

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

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

8           8. Machinery and equipment or tangible personal property used by a  
9 contractor in the performance of a contract.

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

12           1. Revenues received from sales of ancillary services, electric  
13 distribution services, electric generation services, electric transmission  
14 services and other services related to providing electricity to a retail  
15 electric customer who is located outside this state for use outside this  
16 state if the electricity is delivered to a point of sale outside this state.

17           2. Revenues received from providing electricity, including ancillary  
18 services, electric distribution services, electric generation services,  
19 electric transmission services and other services related to providing  
20 electricity with respect to which the transaction privilege tax imposed under  
21 section 42-5063 has been paid.

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

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

27           1. Fees charged by a municipally owned utility to persons constructing  
28 residential, commercial or industrial developments or connecting residential,  
29 commercial or industrial developments to a municipal utility system or  
30 systems if the fees are segregated and used only for capital expansion,  
31 system enlargement or debt service of the utility system or systems.

32           2. Reimbursement or contribution compensation to any person or persons  
33 owning a utility system for property and equipment installed to provide  
34 utility access to, on or across the land of an actual utility consumer if the  
35 property and equipment become the property of the utility. This deduction  
36 shall not exceed the value of such property and equipment.

37          G. For the purposes of subsection B of this section:

38           1. "Aircraft" includes:

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

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

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

4           H. For the purposes of subsection D of this section, "ancillary  
5 services", "electric distribution service", "electric generation service",  
6 "electric transmission service" and "other services" have the same meanings  
7 prescribed in section 42-5063.

8           Sec. 7. Section 42-6004, Arizona Revised Statutes, as amended by Laws  
9 2013, first special session, chapter 9, section 8, Laws 2013, first regular  
10 session, chapter 27, section 2, chapter 120, section 2, chapter 153, section  
11 2 and chapter 236, section 6, is amended to read:

12           42-6004. Exemption from municipal tax

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

15           1. Exhibition events in this state sponsored, conducted or operated by  
16 a nonprofit organization that is exempt from taxation under section  
17 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the  
18 organization is associated with a major league baseball team or a national  
19 touring professional golfing association and no part of the organization's  
20 net earnings inures to the benefit of any private shareholder or individual.

21           2. Interstate telecommunications services, which include that portion  
22 of telecommunications services, such as subscriber line service, allocable by  
23 federal law to interstate telecommunications service.

24           3. Sales of warranty or service contracts.

25           4. Sales of motor vehicles to nonresidents of this state for use  
26 outside this state if the vendor ships or delivers the motor vehicle to a  
27 destination outside this state.

28           5. Interest on finance contracts.

29           6. Dealer documentation fees on the sales of motor vehicles.

30           7. Sales of food or other items purchased with United States  
31 department of agriculture food stamp coupons issued under the food stamp act  
32 of 1977 (P.L. 95-113; 91 Stat. 958) or food instruments issued under section  
33 17 of the child nutrition act (P.L. 95-627; 92 Stat. 3603; P.L. 99-661,  
34 section 4302; 42 United States Code section 1786) but may impose such a tax  
35 on other sales of food. If a city, town or special taxing district exempts  
36 sales of food from its tax or imposes a different transaction privilege rate  
37 on the gross proceeds of sales or gross income from sales of food and nonfood  
38 items, it shall use the definition of food prescribed by rule adopted by the  
39 department pursuant to section 42-5106.

40           8. Orthodontic devices dispensed by a dental professional who is  
41 licensed under title 32, chapter 11 to a patient as part of the practice of  
42 dentistry.

43           9. Sales of internet access services to the person's subscribers and  
44 customers. For the purposes of this paragraph:

1 (a) "Internet" means the computer and telecommunications facilities  
2 that comprise the interconnected worldwide network of networks that employ  
3 the transmission control protocol or internet protocol, or any predecessor or  
4 successor protocol, to communicate information of all kinds by wire or radio.

5 (b) "Internet access" means a service that enables users to access  
6 content, information, electronic mail or other services over the internet.  
7 Internet access does not include telecommunication services provided by a  
8 common carrier.

9 10. The gross proceeds of sales or gross income retained by the Arizona  
10 exposition and state fair board from ride ticket sales at the annual Arizona  
11 state fair.

12 11. Through August 31, 2014, sales of Arizona centennial medallions by  
13 the historical advisory commission.

14 12. Leasing real property between affiliated companies, businesses,  
15 persons or reciprocal insurers. For the purposes of this paragraph:

16 (a) "Affiliated companies, businesses, persons or reciprocal insurers"  
17 means the lessor holds a controlling interest in the lessee, the lessee holds  
18 a controlling interest in the lessor, an affiliated entity holds a  
19 controlling interest in both the lessor and the lessee or an unrelated person  
20 holds a controlling interest in both the lessor and lessee.

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

24 (c) "Reciprocal insurer" has the same meaning prescribed in section  
25 20-762.

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

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

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

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

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

43 (b) The deduction provided in this paragraph does not include gross  
44 proceeds of sales or gross income from the portion of any contracting  
45 activity that consists of the development of, or modification to, real

1 property in order to facilitate the installation, assembly, repair,  
2 maintenance or removal of machinery, equipment or other tangible personal  
3 property described in section 42-5061, subsection B.

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

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

11 (i) Assembling the machinery, equipment or other tangible personal  
12 property.

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

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

18 (iv) Stabilizing or protecting the machinery, equipment or other  
19 tangible personal property during operation by bolting, burying or performing  
20 other dissimilar nonpermanent connections to either real property or real  
21 property improvements.

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

26 15. Computer data center equipment purchased by the owner, operator or  
27 qualified colocation tenant of the computer data center or an authorized  
28 agent of the owner, operator or qualified colocation tenant during the  
29 qualification period for use in a computer data center that is certified by  
30 the Arizona commerce authority under section 41-1519. To qualify for this  
31 deduction, at the time of purchase, the owner, operator or qualified  
32 colocation tenant must present to the retailer its certificate that is issued  
33 pursuant to section 41-1519 and that establishes its qualification for the  
34 deduction. For the purposes of this paragraph, "computer data center",  
35 "computer data center equipment", "qualification period" and "qualified  
36 colocation tenant" have the same meanings prescribed in section 41-1519.

37 16. THE TRANSFER OF TITLE OR POSSESSION OF COAL BACK AND FORTH BETWEEN  
38 AN OWNER OR OPERATOR OF A POWER PLANT AND A PERSON WHO IS RESPONSIBLE FOR  
39 REFINING COAL IF BOTH OF THE FOLLOWING APPLY:

40 (a) THE TRANSFER OF TITLE OR POSSESSION OF THE COAL IS FOR THE PURPOSE  
41 OF REFINING THE COAL.

42 (b) THE TITLE OR POSSESSION OF THE COAL IS TRANSFERRED BACK TO THE  
43 OWNER OR OPERATOR OF THE POWER PLANT AFTER COMPLETION OF THE COAL REFINING  
44 PROCESS. FOR THE PURPOSES OF THIS SUBDIVISION, "COAL REFINING PROCESS" MEANS

1 THE APPLICATION OF A COAL ADDITIVE SYSTEM THAT AIDS THE REDUCTION OF POWER  
2 PLANT EMISSIONS DURING THE COMBUSTION OF COAL AND THE TREATMENT OF FLUE GAS.

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

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

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

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

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

21 4. Incarcerating or detaining in a privately operated prison, jail or  
22 detention facility prisoners who are under the jurisdiction of the United  
23 States, this state or any other state or a political subdivision of this  
24 state or of any other state.

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

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

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

33 (b) The attributable amount is equal to the total amount of  
34 development fees paid by the taxpayer or by a contractor providing services  
35 to the taxpayer and the total development fees credited in exchange for the  
36 construction of, contribution to or dedication of real property for providing  
37 public infrastructure, public safety or other public services necessary to  
38 the development. The real property must be the subject of the development  
39 fees.

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

44 D. A city, town or other taxing jurisdiction shall not levy a  
45 transaction privilege, sales, use, franchise or other similar tax or fee,

1 however denominated, in excess of one-tenth of one per cent of the value of  
2 the entire product mined, smelted, extracted, refined, produced or prepared  
3 for sale, profit or commercial use, on persons engaged in the business of  
4 mineral processing, except to the extent that the tax is computed on the  
5 gross proceeds or gross income from sales at retail.

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

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

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

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

15 Sec. 8. Section 42-6004, Arizona Revised Statutes, as amended by Laws  
16 2013, chapter 255, section 20, is amended to read:

17 42-6004. Exemption from municipal tax

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

20 1. Exhibition events in this state sponsored, conducted or operated by  
21 a nonprofit organization that is exempt from taxation under section  
22 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the  
23 organization is associated with a major league baseball team or a national  
24 touring professional golfing association and no part of the organization's  
25 net earnings inures to the benefit of any private shareholder or individual.

26 2. Interstate telecommunications services, which include that portion  
27 of telecommunications services, such as subscriber line service, allocable by  
28 federal law to interstate telecommunications service.

29 3. Sales of warranty or service contracts.

30 4. Sales of motor vehicles to nonresidents of this state for use  
31 outside this state if the motor vehicle dealer ships or delivers the motor  
32 vehicle to a destination outside this state.

33 5. Interest on finance contracts.

34 6. Dealer documentation fees on the sales of motor vehicles.

35 7. Sales of food or other items purchased with United States  
36 department of agriculture food stamp coupons issued under the food stamp act  
37 of 1977 (P.L. 95-113; 91 Stat. 958) or food instruments issued under section  
38 17 of the child nutrition act (P.L. 95-627; 92 Stat. 3603; P.L. 99-661,  
39 section 4302; 42 United States Code section 1786) but may impose such a tax  
40 on other sales of food. If a city, town or special taxing district exempts  
41 sales of food from its tax or imposes a different transaction privilege rate  
42 on the gross proceeds of sales or gross income from sales of food and nonfood  
43 items, it shall use the definition of food prescribed by rule adopted by the  
44 department pursuant to section 42-5106.

1           8. Sales of internet access services to the person's subscribers and  
2 customers. For the purposes of this paragraph:

3           (a) "Internet" means the computer and telecommunications facilities  
4 that comprise the interconnected worldwide network of networks that employ  
5 the transmission control protocol or internet protocol, or any predecessor or  
6 successor protocol, to communicate information of all kinds by wire or radio.

7           (b) "Internet access" means a service that enables users to access  
8 content, information, electronic mail or other services over the internet.  
9 Internet access does not include telecommunication services provided by a  
10 common carrier.

11           9. The gross proceeds of sales or gross income retained by the Arizona  
12 exposition and state fair board from ride ticket sales at the annual Arizona  
13 state fair.

14           10. Through August 31, 2014, sales of Arizona centennial medallions by  
15 the historical advisory commission.

16           11. The gross proceeds of sales or gross income derived from a  
17 commercial lease in which a reciprocal insurer or a corporation leases real  
18 property to an affiliated corporation. For the purposes of this paragraph:

19           (a) "Affiliated corporation" means a corporation that meets one of the  
20 following conditions:

21           (i) The corporation owns or controls at least eighty per cent of the  
22 lessor.

23           (ii) The corporation is at least eighty per cent owned or controlled  
24 by the lessor.

25           (iii) The corporation is at least eighty per cent owned or controlled  
26 by a corporation that also owns or controls at least eighty per cent of the  
27 lessor.

28           (iv) The corporation is at least eighty per cent owned or controlled  
29 by a corporation that is at least eighty per cent owned or controlled by a  
30 reciprocal insurer.

31           (b) For the purposes of subdivision (a) of this paragraph, ownership  
32 and control are determined by reference to the voting shares of a  
33 corporation.

34           (c) "Reciprocal insurer" has the same meaning prescribed in section  
35 20-762.

36           12. The gross proceeds of sales or gross income derived from a  
37 commercial lease in which a corporation leases real property to a corporation  
38 of which at least eighty per cent of the voting shares of each corporation  
39 are owned by the same shareholders.

40           13. The gross proceeds of sales or gross income derived from a contract  
41 with the owner of real property for the maintenance, repair or replacement of  
42 existing property is not subject to tax if the contract does not include  
43 modification activities. For the purposes of this paragraph:

1 (a) Each contract or project is independent of another contract.

2 (b) "Modification" means construction, alteration, addition,  
3 subtraction, improvement, movement, wreckage or demolition.

4 14. THE TRANSFER OF TITLE OR POSSESSION OF COAL BACK AND FORTH BETWEEN  
5 AN OWNER OR OPERATOR OF A POWER PLANT AND A PERSON WHO IS RESPONSIBLE FOR  
6 REFINING COAL IF BOTH OF THE FOLLOWING APPLY:

7 (a) THE TRANSFER OF TITLE OR POSSESSION OF THE COAL IS FOR THE PURPOSE  
8 OF REFINING THE COAL.

9 (b) THE TITLE OR POSSESSION OF THE COAL IS TRANSFERRED BACK TO THE  
10 OWNER OR OPERATOR OF THE POWER PLANT AFTER COMPLETION OF THE COAL REFINING  
11 PROCESS. FOR THE PURPOSES OF THIS SUBDIVISION, "COAL REFINING PROCESS" MEANS  
12 THE APPLICATION OF A COAL ADDITIVE SYSTEM THAT AIDS THE REDUCTION OF POWER  
13 PLANT EMISSIONS DURING THE COMBUSTION OF COAL AND THE TREATMENT OF FLUE GAS.

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

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

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

25 2. Leasing, renting or licensing a motor vehicle subject to and on  
26 which the fee has been paid under title 28, chapter 16, article 4.

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

32 4. Incarcerating or detaining in a privately operated prison, jail or  
33 detention facility prisoners who are under the jurisdiction of the United  
34 States, this state or any other state or a political subdivision of this  
35 state or of any other state.

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

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

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

44 (b) The attributable amount is equal to the total amount of  
45 development fees paid by the taxpayer or by a contractor providing services

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

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

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

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

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

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

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

26 Sec. 9. Retroactivity

27 This act applies retroactively to refining facilities constructed in  
28 this state from and after December 31, 2013.

29 Sec. 10. Effective date

30 Section 42-5061, Arizona Revised Statutes, as amended by Laws 2013,  
31 chapter 255, section 13 and this act, section 42-5159, Arizona Revised  
32 Statutes, as amended by Laws 2013, chapter 255, section 17 and this act and  
33 section 42-6004, Arizona Revised Statutes, as amended by Laws 2013, chapter  
34 255, section 20 and this act are effective from and after December 31, 2014.

APPROVED BY THE GOVERNOR APRIL 16, 2014.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 17, 2014.

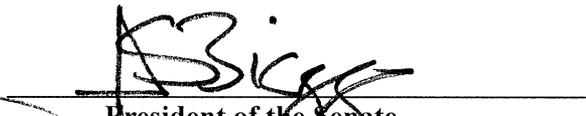
Passed the House February 27, 2014

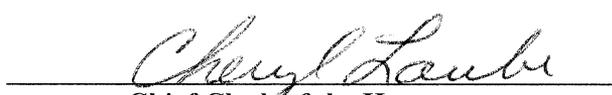
Passed the Senate April 29, 2014

by the following vote: 58 Ayes,  
0 Nays, 2 Not Voting

by the following vote: 29 Ayes,  
0 Nays, 0 Not Voting *1 Absent*

  
\_\_\_\_\_  
Speaker of the House

  
\_\_\_\_\_  
President of the Senate

  
\_\_\_\_\_  
Chief Clerk of the House

  
\_\_\_\_\_  
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. 2285

HOUSE CONCURS IN SENATE  
AMENDMENTS AND FINAL PASSAGE

April 15, 2014,

by the following vote: 58 Ayes,

2 Nays, 0 Not Voting

  
Speaker of the House

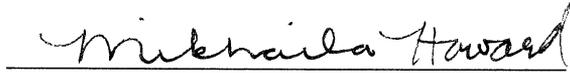
  
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF GOVERNOR

This Bill was received by the Governor this

15 day of April, 2014,

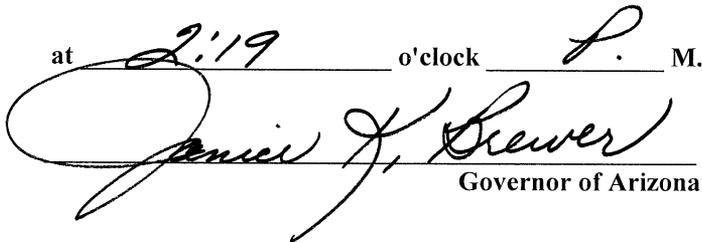
at 3:50 o'clock P M.

  
Secretary to the Governor

Approved this 16<sup>th</sup> day of

April, 2014,

at 2:19 o'clock P. M.

  
Governor of Arizona

H.B. 2285

EXECUTIVE DEPARTMENT OF ARIZONA  
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 19<sup>th</sup> day of April, 2014,

at 3:12 o'clock a M.

  
Secretary of State