

House Engrossed Senate Bill

FILED

**MICHELE REAGAN
SECRETARY OF STATE**

State of Arizona
Senate
Fifty-second Legislature
First Regular Session
2015

CHAPTER 230

SENATE BILL 1216

AN ACT

AMENDING SECTIONS 1-218 AND 28-2154.01, ARIZONA REVISED STATUTES; AMENDING SECTION 42-5008.01, ARIZONA REVISED STATUTES, AS ADDED BY LAWS 2015, CHAPTER 4, SECTION 6; AMENDING SECTION 42-5009, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2015, CHAPTER 4, SECTION 7; AMENDING SECTIONS 42-5014, 42-5039 AND 42-5040, ARIZONA REVISED STATUTES; AMENDING SECTION 42-5061, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2015, CHAPTER 4, SECTION 10; AMENDING SECTIONS 42-5071 AND 42-5072, ARIZONA REVISED STATUTES; AMENDING SECTION 42-5075, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2015, CHAPTER 4, SECTION 11; AMENDING SECTION 42-5159, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2015, CHAPTER 4, SECTION 12; AMENDING SECTIONS 42-12057, 42-13304, 42-14159 AND 43-1098, ARIZONA REVISED STATUTES; RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 1-218, Arizona Revised Statutes, is amended to
3 read:

4 1-218. Filing by mail; date of filing

5 A. Any report, claim, tax return, statement, payment, deposit or other
6 material dealing in any way or manner with taxation, other than petitions or
7 notices of appeal, that is required or authorized to be filed with or made to
8 this state or any agency or political subdivision of this state and that is
9 deposited, properly addressed and postage prepaid, in an official depository
10 of the United States mail shall be deemed filed and received by the addressee
11 on the date shown by the postmark or other official mark of the United States
12 mail stamped thereon, or, if the sender disputes the dates contained on such
13 mark or no such mark appears or is legible, on the mailing date as
14 established by competent evidence introduced by the sender.

15 B. Any filing that is described in subsection A of this section and
16 that is not received by the addressee shall be deemed filed and received on
17 the date of mailing if the sender establishes the date of mailing as provided
18 in subsection A of this section and files with the addressee a duplicate
19 filing within ten days after written notification of nonreceipt of such
20 filing is given to the sender by the addressee.

21 C. If any filing described in subsection A of this section is sent by
22 United States certified or registered mail or certificate of mailing, the
23 date of such registration, certification or certificate, as established by a
24 record authenticated by proper officials of the United States mail, shall be
25 deemed the date of filing.

26 D. If the due date of any filing described in subsection A of this
27 section falls upon a Saturday, Sunday or legal holiday, the filing shall be
28 considered timely if performed on the next business day.

29 E. Any filing described in subsection A of this section that does not
30 contain a postmark or other official mark of the United States mail stamped
31 thereon shall be considered timely if ~~performed by the taxpayer~~ RECEIVED
32 within five business days after the due date of the filing.

33 F. For the purposes of tax administration, references in this section
34 to:

35 1. "United States mail" are considered to include any designated
36 delivery service provided by a trade or business if the service has been
37 designated by the United States secretary of the treasury pursuant to section
38 7502(f) of the United States internal revenue code of 1986.

39 2. "Postmark" are considered to include any date recorded or marked by
40 any designated delivery service and described in section 7502(f)(2)(C) of the
41 internal revenue code.

42 3. "Registered" and "certified" are considered to include any
43 equivalent service maintained by a designated delivery service.

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

3 28-2154.01. Special ninety day nonresident registration
4 permits; procedures

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

10 B. The department, an authorized third party or a dealer shall not:

11 1. Issue, assign or deliver a special ninety day nonresident
12 registration permit to any person unless the person does all of the
13 following:

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

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

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

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

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

28 C. A person who issues a special ninety day nonresident registration
29 permit shall affix or insert, clearly and indelibly, on the face of each
30 permit the dates of issuance and expiration and the make and vehicle
31 identification number of the vehicle. The special ninety day nonresident
32 registration permit shall not bear the name or address of the person who
33 purchased the vehicle in a position that is legible from outside of the
34 vehicle.

35 D. A dealer or authorized third party who issues a special ninety day
36 nonresident registration permit shall maintain a record, in a form prescribed
37 by the director, of all special ninety day nonresident registration permits
38 issued by the dealer or authorized third party and a record of other
39 information pertaining to the issuance of special ninety day nonresident
40 registration permits that the department of transportation or the department
41 of revenue requires.

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

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

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

8 H. If a purchaser registers the vehicle in this state within three
9 hundred sixty-five days after the issuance of the special ninety day
10 nonresident registration permit, the purchaser is liable in an amount equal
11 to any tax, penalty and interest that the motor vehicle dealer or authorized
12 third party would have been required to pay under title 42, chapter 5 and
13 under articles IV and VI of the model city tax code as defined in
14 section 42-6051. At the time of issuing the special ninety day nonresident
15 registration permit, a motor vehicle dealer or authorized third party shall
16 inform the purchaser in writing of the purchaser's liability described in
17 this section. Subsequent registration or use of the vehicle in this state
18 does not create a cause of action against a dealer or authorized third party
19 that complies with section 28-2154, subsection A, this section and section
20 42-5009, subsection H.

21 I. The department of transportation and the department of revenue
22 shall jointly develop and prescribe forms for the motor vehicle dealer, the
23 authorized third party and the purchaser to complete for the proper
24 administration and enforcement of this section.

25 J. Compliance with this section and section 28-2154 allows delivery of
26 the vehicle to a nonresident purchaser in this state and retains the
27 applicable deductions pursuant to section 42-5061, subsection A, paragraph
28 28, subdivision (a) and subsection ~~H~~ T.

29 Sec. 3. Section 42-5008.01, Arizona Revised Statutes, as added by Laws
30 2015, chapter 4, section 6, is amended to read:

31 42-5008.01. Liability for amounts equal to retail transaction
32 privilege tax due

33 A. A person that is either a prime contractor subject to tax under
34 section 42-5075 or a subcontractor working under the control of such a prime
35 contractor, that purchases tangible personal property, the purchase price of
36 which was excluded from the tax base under the retail classification under
37 section 42-5061, subsection A, paragraph 27 or was excluded from the use tax
38 under section 42-5159, subsection A, paragraph 13, subdivision (g) at the
39 time of purchase, and that incorporates or fabricates the tangible personal
40 property into a project described in section 42-5075, subsection 0 is liable
41 for an amount equal to any tax that a seller would have been required to pay
42 under section 42-5061 and this article as follows:

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

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

7 3. This subsection does not apply to tangible personal property that
8 is incorporated or fabricated into any project under a contract that would
9 otherwise be excluded from the tax base under section 42-5075, without regard
10 to section 42-5075, subsection 0.

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

14 5. The person is not liable for the amount if the contractor who hired
15 the person executes and provides to the person a certificate stating that the
16 contractor providing the certificate is liable for any amount due under this
17 subsection. The department shall prescribe the form of the certificate. If
18 the person has reason to believe that the information contained on the
19 certificate is erroneous or incomplete, the department may disregard the
20 certificate. The contractor providing the certificate is liable for the
21 amount that otherwise would be due from the person under this subsection.

22 B. A person that purchased tangible personal property, the purchase
23 price of which was excluded from the tax base under section 42-5061,
24 subsection A, paragraph 27 or was excluded from the use tax under section
25 42-5159, subsection A, paragraph 13, subdivision (g) at the time of purchase,
26 ~~whose~~ THAT SUBSEQUENTLY CANCELS ITS transaction privilege tax license ~~has~~
27 ~~been canceled~~ and that ~~subsequently~~ uses, consumes, sells or discards the
28 tangible personal property is liable for an amount of tax determined under
29 this subsection. For the purposes of this subsection:

30 1. If the tangible personal property is incorporated or fabricated
31 into a project described in section 42-5075, subsection 0, or otherwise used
32 or consumed by the person, the amount of liability shall be calculated and
33 reported based on the person's purchase price of the tangible personal
34 property, the location of the project, use or consumption and the taxes
35 imposed under this chapter and chapter 6 of this title.

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

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

1 2. Obtaining a certificate executed by the purchaser indicating the
2 name and address of the purchaser, the precise nature of the business of the
3 purchaser, the purpose for which the purchase was made, the necessary facts
4 to establish the appropriate deduction and the tax license number of the
5 purchaser to the extent the deduction depends on the purchaser conducting
6 business classified under article 2 of this chapter and a certification that
7 the person executing the certificate is authorized to do so on behalf of the
8 purchaser. The certificate may be disregarded if the seller has reason to
9 believe that the information contained in the certificate is not accurate or
10 complete.

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

14 C. The department may prescribe a form for the certificate described
15 in subsection A of this section. Under such rules as it may prescribe, the
16 department may also describe transactions with respect to which a person is
17 not entitled to rely solely on the information contained in the certificate
18 provided for in subsection A of this section but must instead obtain such
19 additional information as required by the rules in order to be entitled to
20 the deduction.

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

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

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

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

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

36 H. The department shall prescribe forms for certificates used to
37 establish the satisfaction of the criteria necessary to qualify the sale of a
38 motor vehicle for the deductions described in section 42-5061, subsection A,
39 paragraph 14, paragraph 28, subdivision (a) and paragraph 44 and subsection
40 ~~U~~. Except as provided in subsection J of this section, to establish
41 entitlement to these deductions, a motor vehicle dealer shall retain:

42 1. A valid certificate as prescribed by this subsection completed by
43 the purchaser and obtained prior to the issuance of the nonresident
44 registration permit authorized by section 28-2154.

1 2. A copy of the nonresident registration permit authorized by section
2 28-2154.

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

8 4. For the purposes of the deduction provided by section 42-5061,
9 subsection A, paragraph 14, a certificate documenting the delivery of the
10 motor vehicle to an out-of-state location.

11 I. Notwithstanding subsection A, paragraph 2 of this section, if a
12 motor vehicle dealer has established entitlement to a deduction by complying
13 with subsection H of this section, the department may require the purchaser
14 who executed the certificate to establish the accuracy and completeness of
15 the information contained in the certificate that entitled the motor vehicle
16 dealer to the deduction. If the purchaser cannot establish the accuracy and
17 completeness of the information, the purchaser is liable in an amount equal
18 to any tax, penalty and interest that the motor vehicle dealer would have
19 been required to pay under this article and under articles IV and V of the
20 model city tax code as defined in section 42-6051. Payment of the amount
21 under this subsection exempts the purchaser from liability for any tax
22 imposed under article 4 of this chapter and any tax imposed under article VI
23 of the model city tax code as defined in section 42-6051. The amount shall
24 be treated as tax revenues collected from the motor vehicle dealer in order
25 to designate the distribution base for purposes of section 42-5029.

26 J. To establish entitlement to the deduction described in section
27 42-5061, subsection A, paragraph 44, a public consignment auction dealer as
28 defined in section 28-4301 shall submit the valid certificate prescribed by
29 subsection H of this section to the department and retain a copy for its
30 records.

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

34 L. The department shall prescribe a form for a certificate to be used
35 by a person that is not subject to tax under section 42-5075 when the person
36 is engaged by a contractor that is subject to tax under section 42-5075 for a
37 project that is taxable under section 42-5075. The certificate permits the
38 person purchasing tangible personal property to be incorporated or fabricated
39 by the person into any real property, structure, project, development or
40 improvement to provide documentation to a retailer that the sale of tangible
41 personal property qualifies for the deduction under section 42-5061,
42 subsection A, paragraph 27, subdivision (b). A prime contractor shall obtain
43 the certificate from the department and shall provide a copy to any such
44 person working on the project. The prime contractor shall obtain a new

1 certificate for each project to which this subsection applies. For the
2 purposes of this subsection, the following apply:

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

7 2. The department shall issue the certificate to the prime contractor
8 on receiving sufficient documentation to establish that the prime contractor
9 meets the requirements of this subsection.

10 3. If any person uses the certificate provided under this subsection
11 to purchase tangible personal property to be used in a project that is not
12 subject to tax under section 42-5075, the person is liable in an amount equal
13 to any tax, penalty and interest that the seller would have been required to
14 pay under this article if the seller had not complied with subsection A of
15 this section. Payment of the amount under this section exempts the person
16 from liability for any tax imposed under article 4 of this chapter. The
17 amount shall be sourced under section 42-5040, subsection A, paragraph 2.

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

24 Sec. 5. Section 42-5014, Arizona Revised Statutes, is amended to read:
25 42-5014. Return and payment of tax; estimated tax; extensions;
26 abatements

27 A. Except as provided in subsection B, C or D of this section, the
28 taxes levied under this article:

29 1. Are due and payable monthly in the form required by section 42-5018
30 for the amount of the tax, to the department, on or before the twentieth day
31 of the month next succeeding the month in which the tax accrues.

32 2. Are delinquent as follows:

33 (a) For taxpayers that are required or elect to file and pay
34 electronically in any month, if not received by the department on or before
35 the last business day of the month.

36 (b) For all other taxpayers, if not received by the department on or
37 before the business day preceding the last business day of the month.

38 B. The department, for any taxpayer whose estimated annual liability
39 for taxes imposed or administered by this article, or chapter 6 of this
40 title is between two thousand dollars and eight thousand dollars, shall
41 authorize such taxpayer to pay such taxes on a quarterly basis. The
42 department, for any taxpayer whose estimated annual liability for taxes
43 imposed by this article is less than two thousand dollars, shall authorize

1 such taxpayer to pay such taxes on an annual basis. FOR THE PURPOSES OF THIS
2 SUBSECTION, THE TAXES DUE UNDER THIS ARTICLE:

3 1. FOR TAXPAYERS THAT ARE AUTHORIZED TO PAY ON A QUARTERLY BASIS, ARE
4 DUE AND PAYABLE MONTHLY IN THE FORM REQUIRED BY SECTION 42-5018 FOR THE
5 AMOUNT OF THE TAX, TO THE DEPARTMENT, ON OR BEFORE THE TWENTIETH DAY OF THE
6 MONTH NEXT SUCCEEDING THE QUARTER IN WHICH THE TAX ACCRUES.

7 2. FOR TAXPAYERS THAT ARE AUTHORIZED TO PAY ON AN ANNUAL BASIS, ARE
8 DUE AND PAYABLE MONTHLY IN THE FORM REQUIRED BY SECTION 42-5018 FOR THE
9 AMOUNT OF THE TAX, TO THE DEPARTMENT, ON OR BEFORE THE TWENTIETH DAY OF
10 JANUARY NEXT SUCCEEDING THE YEAR IN WHICH THE TAX ACCRUES.

11 3. ARE DELINQUENT AS FOLLOWS:

12 (a) FOR TAXPAYERS THAT ARE REQUIRED OR ELECT TO FILE AND PAY
13 ELECTRONICALLY IN ANY QUARTER, IF NOT RECEIVED BY THE DEPARTMENT ON OR BEFORE
14 THE LAST BUSINESS DAY OF THE MONTH.

15 (b) FOR ALL OTHER TAXPAYERS THAT ARE REQUIRED TO FILE AND PAY
16 QUARTERLY, IF NOT RECEIVED BY THE DEPARTMENT ON OR BEFORE THE BUSINESS DAY
17 PRECEDING THE LAST BUSINESS DAY OF THE MONTH.

18 (c) FOR TAXPAYERS THAT ARE REQUIRED OR ELECT TO FILE AND PAY
19 ELECTRONICALLY ON AN ANNUAL BASIS, IF NOT RECEIVED BY THE DEPARTMENT ON OR
20 BEFORE THE LAST BUSINESS DAY OF JANUARY.

21 (d) FOR ALL OTHER TAXPAYERS THAT ARE REQUIRED TO FILE AND PAY
22 ANNUALLY, IF NOT RECEIVED BY THE DEPARTMENT ON OR BEFORE THE BUSINESS DAY
23 PRECEDING THE LAST BUSINESS DAY OF JANUARY.

24 C. The department may require a taxpayer whose business is of a
25 transient character to file the return and remit the taxes imposed by this
26 article on a daily, a weekly or a transaction by transaction basis, and those
27 returns and payments are due and payable on the date fixed by the department
28 without a grace period otherwise allowed by this section. For the purposes
29 of this subsection, "business of a transient character" means sales activity
30 by a taxpayer not regularly engaged in selling within the state conducted
31 from vehicles, portable stands, rented spaces, structures or booths, or
32 concessions at fairs, carnivals, circuses, festivals or similar activities
33 for not more than thirty consecutive days.

34 D. If the business entity under which a taxpayer reports and pays
35 income tax under title 43 has an annual total tax liability under this
36 article, article 6 of this chapter and chapter 6, article 3 of this title of
37 one million dollars or more, based on the actual tax liability in the
38 preceding calendar year, regardless of the number of offices at which the
39 taxes imposed by this article, article 6 of this chapter or chapter 6,
40 article 3 of this title are collected, or if the taxpayer can reasonably
41 anticipate such liability in the current year, the taxpayer shall report on a
42 form prescribed by the department and pay an estimated tax payment each June.
43 Any other taxpayer may voluntarily elect to pay the estimated tax payment
44 pursuant to this subsection. The payment shall be made on or before June 20

1 and is delinquent ~~if not postmarked on or before that date~~ or if not received
2 by the department on or before the business day preceding the last business
3 day of June for those taxpayers electing to file by mail, or delinquent if
4 not received by the department on the business day preceding the last
5 business day of June for those taxpayers electing to file in person. The
6 estimated tax paid shall be credited against the taxpayer's tax liability
7 under this article, article 6 of this chapter and chapter 6, article 3 of
8 this title for the month of June for the current calendar year. The
9 estimated tax payment shall equal either:

10 1. One-half of the actual tax liability under this article plus
11 one-half of any tax liability under article 6 of this chapter and chapter 6,
12 article 3 of this title for May of the current calendar year.

13 2. The actual tax liability under this article plus any tax liability
14 under article 6 of this chapter and chapter 6, article 3 of this title for
15 the first fifteen days of June of the current calendar year.

16 E. The taxpayer shall prepare a return showing the amount of the tax
17 for which the taxpayer is liable for the preceding month, and shall mail or
18 deliver the return to the department in the same manner and time as
19 prescribed for the payment of taxes in subsection A of this section. If the
20 taxpayer fails to file the return in the manner and time as prescribed for
21 the payment of taxes in subsection A of this section, the amount of the tax
22 required to be shown on the return is subject to the penalty imposed pursuant
23 to section 42-1125, subsection A, without any reduction for taxes paid on or
24 before the due date of the return. The return shall be verified by the oath
25 of the taxpayer or an authorized agent or as prescribed by the department
26 pursuant to section 42-1105, subsection B.

27 F. Any person who is taxable under this article and who makes cash and
28 credit sales shall report such cash and credit sales separately and on making
29 application may obtain from the department an extension of time for payment
30 of taxes due on the credit sales. The extension shall be granted by the
31 department under such rules as the department prescribes. When the extension
32 is granted, the taxpayer shall thereafter include in each monthly report all
33 collections made on such credit sales during the month next preceding and
34 shall pay the taxes due at the time of filing such report.

35 G. The returns required under this article shall be made on forms
36 prescribed by the department and shall capture data with sufficient
37 specificity to meet the needs of all taxing jurisdictions.

38 H. Any person who is engaged in or conducting business in two or more
39 locations or under two or more business names shall file the return required
40 under this article by electronic means.

41 I. The department, for good cause, may extend the time for making any
42 return required by this article and may grant such reasonable additional time
43 within which to make the return as it deems proper, but the time for filing

1 the return shall not be extended beyond the first day of the third month next
2 succeeding the regular due date of the return.

3 J. The department, with the approval of the attorney general, may
4 abate small tax balances if the administration costs exceed the amount of tax
5 due.

6 K. For the purposes of subsection D of this section, "taxpayer" means
7 the business entity under which the business reports and pays state income
8 taxes regardless of the number of offices at which the taxes imposed by this
9 article, article 6 of this chapter or chapter 6, article 3 of this title are
10 collected.

11 Sec. 6. Section 42-5039, Arizona Revised Statutes, is amended to read:
12 42-5039. Qualified destination management companies;

13 definitions

14 A. A qualified destination management company is not subject to
15 transaction privilege tax under this chapter on the gross proceeds of sales
16 or gross income derived from a qualified contract for destination management
17 services. The gross proceeds of sales or gross income derived by a qualified
18 destination management company from transactions that are not part of a
19 qualified contract for destination management services are subject to tax IF
20 OTHERWISE TAXABLE under this chapter.

21 B. A qualified destination management company is a final consumer and
22 user of any tangible personal property, activity or service subject to
23 transaction privilege tax under article 2 of this chapter that the qualified
24 destination management company arranges pursuant to a qualified contract for
25 destination management services.

26 C. For the purposes of this section:

27 1. "Destination management services" means the business of
28 coordinating, designing and implementing the delivery by a third party of
29 four or more of the following:

- 30 (a) Transportation.
- 31 (b) Entertainment.
- 32 (c) Food or beverage.
- 33 (d) Recreational or amusement activity.
- 34 (e) Tours.
- 35 (f) Event venue.
- 36 (g) Theme decor.

37 2. "Qualified contract" means a contract for the provision of
38 destination management services by a qualified destination management company
39 where both of the following apply:

40 (a) The qualified destination management company receives payment from
41 or on behalf of the qualified destination management company's client for the
42 cost of the destination management services arranged by the qualified
43 destination management company.

1 (b) The qualified destination management company pays the vendor
2 supplying the destination management services arranged by the qualified
3 destination management company including any applicable transaction privilege
4 tax or collection of use tax charged by the vendor to the qualified
5 destination management company.

6 3. "Qualified destination management company" means a person that
7 receives on an annual basis at least eighty per cent of its gross proceeds of
8 sales or gross income derived from destination management services.

9 Sec. 7. Section 42-5040, Arizona Revised Statutes, is amended to read:
10 42-5040. Sourcing of certain transactions involving tangible

11 personal property; definitions

12 A. Except as provided in section 42-5075, retail sales of tangible
13 personal property shall be sourced as follows:

14 1. To the seller's business location if the seller receives the order
15 at a business location in this state.

16 2. EXCEPT AS PROVIDED IN SECTION 42-5008.01, to the purchaser's
17 location in this state if the seller receives the order at a business
18 location outside this state.

19 B. For the purposes of this section, an order is received when all of
20 the information necessary to accept the order has been received by or on
21 behalf of the seller, regardless of where the order is accepted or approved.
22 The place of business or residence of the purchaser does not determine where
23 the order is received.

24 C. The gross receipts from leasing or renting tangible personal
25 property shall be sourced as follows:

26 1. To the lessor's business location if the lessor has a business
27 location in this state.

28 2. To the lessee's address if the lessor does not have a business
29 location in this state. The gross receipts are taxable when the property is
30 shipped, delivered or otherwise brought into this state for use in this
31 state.

32 D. For the purposes of this section:

33 1. "Lessee's address" means the residential address of an individual
34 lessee and the primary business address of any other lessee.

35 2. "Lessor's business location" means the business address that
36 appears on the lessor's transaction privilege tax license.

37 Sec. 8. Section 42-5061, Arizona Revised Statutes, as amended by Laws
38 2015, chapter 4, section 10, is amended to read:

39 42-5061. Retail classification; definitions

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

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

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

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

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

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

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

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

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

34 (ii) Prepaid calling cards or prepaid authorization numbers for
35 telecommunications services made taxable by subsection ~~Q~~ P of this section.

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

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

43 22. Motor vehicle fuel and use fuel that are subject to a tax imposed
44 under title 28, chapter 16, article 1, sales of use fuel to a holder of a

1 valid single trip use fuel tax permit issued under section 28-5739, sales of
2 aviation fuel that are subject to the tax imposed under section 28-8344 and
3 sales of jet fuel that are subject to the tax imposed under article 8 of this
4 chapter.

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

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

11 25. Tangible personal property sold to:

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

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

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

21 (d) A qualifying community health center as defined in section
22 42-5001.

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

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

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

36 (h) Any person representing or working on behalf of another person
37 described in subdivisions (a) through (g) of this paragraph if the tangible
38 personal property is incorporated or fabricated into a project described in
39 section 42-5075, subsection 0.

40 26. Magazines or other periodicals or other publications by this state
41 to encourage tourist travel.

42 27. Tangible personal property sold to:

43 (a) A person that is subject to tax under this article by reason of
44 being engaged in business classified under section 42-5075 or to a

1 subcontractor working under the control of a person engaged in business
2 classified under section 42-5075, if the property so sold is any of the
3 following:

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

6 (ii) Incorporated or fabricated by the person into any project
7 described in section 42-5075, subsection 0.

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

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

15 28. The sale of a motor vehicle to:

16 (a) A nonresident of this state if the purchaser's state of residence
17 does not allow a corresponding use tax exemption to the tax imposed by
18 article 1 of this chapter and if the nonresident has secured a special ninety
19 day nonresident registration permit for the vehicle as prescribed by sections
20 28-2154 and 28-2154.01.

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

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

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

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

40 32. Sales of tangible personal property by a nonprofit organization
41 that is exempt from taxation under section 501(c)(3), 501(c)(4), 501(c)(6),
42 501(c)(7) or 501(c)(8) of the internal revenue code if the organization
43 sponsors or operates a rodeo featuring primarily farm and ranch animals and

1 no part of the organization's net earnings inures to the benefit of any
2 private shareholder or individual.

3 33. Sales of seeds, seedlings, roots, bulbs, cuttings and other
4 propagative material to persons who use those items to commercially produce
5 agricultural, horticultural, viticultural or floricultural crops in this
6 state.

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

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

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

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

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

41 39. Through December 31, 1994, personal property liquidation
42 transactions, conducted by a personal property liquidator. From and after
43 December 31, 1994, personal property liquidation transactions shall be
44 taxable under this section provided that nothing in this subsection shall be

1 construed to authorize the taxation of casual activities or transactions
2 under this chapter. For the purposes of this paragraph:

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

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

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

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

19 42. Livestock and poultry feed, salts, vitamins and other additives for
20 livestock or poultry consumption that are sold to persons who are engaged in
21 producing livestock, poultry, or livestock or poultry products or who are
22 engaged in feeding livestock or poultry commercially. For the purposes of
23 this paragraph, "poultry" includes ratites.

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

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

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

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

43 47. Sales of materials that are purchased by or for publicly funded
44 libraries including school district libraries, charter school libraries,

1 community college libraries, state university libraries or federal, state,
2 county or municipal libraries for use by the public as follows:

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

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

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

13 49. Sales of alternative fuel vehicles if the vehicle was manufactured
14 as a diesel fuel vehicle and converted to operate on alternative fuel and
15 equipment that is installed in a conventional diesel fuel motor vehicle to
16 convert the vehicle to operate on an alternative fuel, as defined in section
17 1-215.

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

21 51. Sales of tangible personal property to be incorporated or installed
22 as part of environmental response or remediation activities under section
23 42-5075, subsection B, paragraph 6.

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

29 ~~53. Through August 31, 2014, sales of Arizona centennial medallions by~~
30 ~~the historical advisory commission.~~

31 ~~54.~~ 53. Application services that are designed to assess or test
32 student learning or to promote curriculum design or enhancement purchased by
33 or for any school district, charter school, community college or state
34 university. 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 ~~55.~~ 54. Sales of motor vehicle fuel and use fuel to a qualified
41 business under section 41-1516 for off-road use in harvesting, processing or
42 transporting qualifying forest products removed from qualifying projects as
43 defined in section 41-1516.

1 ~~56.~~ 55. Sales of repair parts installed in equipment used directly by
2 a qualified business under section 41-1516 in harvesting, processing or
3 transporting qualifying forest products removed from qualifying projects as
4 defined in section 41-1516.

5 ~~57.~~ 56. Sales or other transfers of renewable energy credits or any
6 other unit created to track energy derived from renewable energy resources.
7 For the purposes of this paragraph, "renewable energy credit" means a unit
8 created administratively by the corporation commission or governing body of a
9 public power utility to track kilowatt hours of electricity derived from a
10 renewable energy resource or the kilowatt hour equivalent of conventional
11 energy resources displaced by distributed renewable energy resources.

12 ~~58.~~ 57. Computer data center equipment purchased by the owner,
13 operator or qualified colocation tenant of the computer data center or an
14 authorized agent of the owner, operator or qualified colocation tenant during
15 the qualification period for use in a computer data center that is certified
16 by the Arizona commerce authority under section 41-1519. To qualify for this
17 deduction, at the time of purchase, the owner, operator or qualified
18 colocation tenant must present to the retailer its certificate that is issued
19 pursuant to section 41-1519 and that establishes its qualification for the
20 deduction. For the purposes of this paragraph, "computer data center",
21 "computer data center equipment", "qualification period" and "qualified
22 colocation tenant" have the same meanings prescribed in section 41-1519.

23 ~~59.~~ 58. Orthodontic devices dispensed by a dental professional who is
24 licensed under title 32, chapter 11 to a patient as part of the practice of
25 dentistry.

26 ~~60.~~ 59. Sales of tangible personal property incorporated or fabricated
27 into a project described in section 42-5075, subsection 0, that is located
28 within the exterior boundaries of an Indian reservation for which the owner,
29 as defined in section 42-5075, of the project is an Indian tribe or an
30 affiliated Indian. For the purposes of this paragraph:

31 (a) "Affiliated Indian" means an individual native American Indian who
32 is duly registered on the tribal rolls of the Indian tribe for whose benefit
33 the Indian reservation was established.

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

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

42 B. In addition to the deductions from the tax base prescribed by
43 subsection A of this section, the gross proceeds of sales or gross income

1 derived from sales of the following categories of tangible personal property
2 shall be deducted from the tax base:

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

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

16 3. Tangible personal property sold to persons engaged in business
17 classified under the telecommunications classification, including a person
18 representing or working on behalf of such a person in a manner described in
19 section 42-5075, subsection 0, and consisting of central office switching
20 equipment, switchboards, private branch exchange equipment, microwave radio
21 equipment and carrier equipment including optical fiber, coaxial cable and
22 other transmission media that are components of carrier systems.

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

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

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

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

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

42 (b) Any foreign government.

43 (c) Persons who are not residents of this state and who will not use
44 such property in this state other than in removing such property from this

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

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

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

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

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

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

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

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

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

35 14. Machinery or equipment used in research and development. For the
36 purposes of this paragraph, "research and development" means basic and
37 applied research in the sciences and engineering, and designing, developing
38 or testing prototypes, processes or new products, including research and
39 development of computer software that is embedded in or an integral part of
40 the prototype or new product or that is required for machinery or equipment
41 otherwise exempt under this section to function effectively. Research and
42 development do not include manufacturing quality control, routine consumer
43 product testing, market research, sales promotion, sales service, research in
44 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 used directly in the feeding of poultry,
41 the environmental control of housing for poultry, the movement of eggs within
42 a production and packaging facility or the sorting or cooling of eggs. This
43 exemption does not apply to vehicles used for transporting eggs.

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

11 19. Machinery and equipment that are sold to a person engaged in the
12 commercial production of livestock, livestock products or agricultural,
13 horticultural, viticultural or floricultural crops or products in this state,
14 including a person representing or working on behalf of such a person in a
15 manner described in section 42-5075, subsection 0, if the machinery and
16 equipment are used directly and primarily to prevent, monitor, control or
17 reduce air, water or land pollution.

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

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

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

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

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

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

40 1. Expendable materials. For the purposes of this paragraph,
41 expendable materials do not include any of the categories of tangible
42 personal property specified in subsection B of this section regardless of the
43 cost or useful life of that property.

44 2. Janitorial equipment and hand tools.

1 3. Office equipment, furniture and supplies.

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

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

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

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

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

14 D. In addition to the deductions from the tax base prescribed by
15 subsection A of this section, there shall be deducted from the tax base the
16 gross proceeds of sales or gross income derived from sales of machinery,
17 equipment, materials and other tangible personal property used directly and
18 predominantly to construct a qualified environmental technology
19 manufacturing, producing or processing facility as described in section
20 41-1514.02. This subsection applies for ten full consecutive calendar or
21 fiscal years after the start of initial construction.

22 E. In computing the tax base, gross proceeds of sales or gross income
23 from retail sales of heavy trucks and trailers does not include any amount
24 attributable to federal excise taxes imposed by 26 United States Code section
25 4051.

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

30 ~~G.~~ F. If a person is engaged in an occupation or business to which
31 subsection A of this section applies, the person's books shall be kept so as
32 to show separately the gross proceeds of sales of tangible personal property
33 and the gross income from sales of services, and if not so kept the tax shall
34 be imposed on the total of the person's gross proceeds of sales of tangible
35 personal property and gross income from services.

36 ~~H.~~ G. If a person is engaged in the business of selling tangible
37 personal property at both wholesale and retail, the tax under this section
38 applies only to the gross proceeds of the sales made other than at wholesale
39 if the person's books are kept so as to show separately the gross proceeds of
40 sales of each class, and if the books are not so kept, the tax under this
41 section applies to the gross proceeds of every sale so made.

42 ~~I.~~ H. A person who engages in manufacturing, baling, crating, boxing,
43 barreling, canning, bottling, sacking, preserving, processing or otherwise
44 preparing for sale or commercial use any livestock, agricultural or

1 horticultural product or any other product, article, substance or commodity
2 and who sells the product of such business at retail in this state is deemed,
3 as to such sales, to be engaged in business classified under the retail
4 classification. This subsection does not apply to businesses classified
5 under the:

- 6 1. Transporting classification.
- 7 2. Utilities classification.
- 8 3. Telecommunications classification.
- 9 4. Pipeline classification.
- 10 5. Private car line classification.
- 11 6. Publication classification.
- 12 7. Job printing classification.
- 13 8. Prime contracting classification.
- 14 9. Restaurant classification.

15 ~~J~~ I. The gross proceeds of sales or gross income derived from the
16 following shall be deducted from the tax base for the retail classification:

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

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

23 3. Overhead materials or other tangible personal property that is used
24 in performing a contract between the United States government and a
25 manufacturer, modifier, assembler or repairer, including property used in
26 performing a subcontract with a government contractor who is a manufacturer,
27 modifier, assembler or repairer, to which title passes to the government
28 under the terms of the contract or subcontract.

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

34 ~~K~~ J. There shall be deducted from the tax base fifty percent of the
35 gross proceeds or gross income from any sale of tangible personal property
36 made directly to the United States government or its departments or agencies
37 that is not deducted under subsection ~~J~~ I of this section.

38 ~~L~~ K. The department shall require every person claiming a deduction
39 provided by subsection ~~J~~ I or ~~K~~ J of this section to file on forms
40 prescribed by the department at such times as the department directs a sworn
41 statement disclosing the name of the purchaser and the exact amount of sales
42 on which the exclusion or deduction is claimed.

43 ~~M~~ L. In computing the tax base, gross proceeds of sales or gross
44 income does not include:

- 1 1. A manufacturer's cash rebate on the sales price of a motor vehicle
- 2 if the buyer assigns the buyer's right in the rebate to the retailer.
- 3 2. The waste tire disposal fee imposed pursuant to section 44-1302.
- 4 ~~N.~~ M. There shall be deducted from the tax base the amount received
- 5 from sales of solar energy devices. The retailer shall register with the
- 6 department as a solar energy retailer. By registering, the retailer
- 7 acknowledges that it will make its books and records relating to sales of
- 8 solar energy devices available to the department for examination.
- 9 ~~Q.~~ N. In computing the tax base in the case of the sale or transfer
- 10 of wireless telecommunications equipment as an inducement to a customer to
- 11 enter into or continue a contract for telecommunications services that are
- 12 taxable under section 42-5064, gross proceeds of sales or gross income does
- 13 not include any sales commissions or other compensation received by the
- 14 retailer as a result of the customer entering into or continuing a contract
- 15 for the telecommunications services.
- 16 ~~P.~~ O. For the purposes of this section, a sale of wireless
- 17 telecommunications equipment to a person who holds the equipment for sale or
- 18 transfer to a customer as an inducement to enter into or continue a contract
- 19 for telecommunications services that are taxable under section 42-5064 is
- 20 considered to be a sale for resale in the regular course of business.
- 21 ~~Q.~~ P. Retail sales of prepaid calling cards or prepaid authorization
- 22 numbers for telecommunications services, including sales of reauthorization
- 23 of a prepaid card or authorization number, are subject to tax under this
- 24 section.
- 25 ~~R.~~ Q. For the purposes of this section, the diversion of gas from a
- 26 pipeline by a person engaged in the business of:
 - 27 1. Operating a natural or artificial gas pipeline, for the sole
 - 28 purpose of fueling compressor equipment to pressurize the pipeline, is not a
 - 29 sale of the gas to the operator of the pipeline.
 - 30 2. Converting natural gas into liquefied natural gas, for the sole
 - 31 purpose of fueling compressor equipment used in the conversion process, is
 - 32 not a sale of gas to the operator of the compressor equipment.
- 33 ~~S.~~ R. For the purposes of this section, the transfer of title or
- 34 possession of coal from an owner or operator of a power plant to a person in
- 35 the business of refining coal is not a sale of coal if both of the following
- 36 apply:
 - 37 1. The transfer of title or possession of the coal is for the purpose
 - 38 of refining the coal.
 - 39 2. The title or possession of the coal is transferred back to the
 - 40 owner or operator of the power plant after completion of the coal refining
 - 41 process. For the purposes of this paragraph, "coal refining process"
 - 42 means the application of a coal additive system that aids in the reduction of
 - 43 power plant emissions during the combustion of coal and the treatment of flue
 - 44 gas.

1 ~~T.~~ S. If a seller is entitled to a deduction pursuant to subsection
2 B, paragraph 15, subdivision (b) of this section, the department may require
3 the purchaser to establish that the requirements of subsection B, paragraph
4 15, subdivision (b) of this section have been satisfied. If the purchaser
5 cannot establish that the requirements of subsection B, paragraph 15,
6 subdivision (b) of this section have been satisfied, the purchaser is liable
7 in an amount equal to any tax, penalty and interest which the seller would
8 have been required to pay under article 1 of this chapter if the seller had
9 not made a deduction pursuant to subsection B, paragraph 15, subdivision (b)
10 of this section. Payment of the amount under this subsection exempts the
11 purchaser from liability for any tax imposed under article 4 of this chapter
12 and related to the tangible personal property purchased. The amount shall be
13 treated as transaction privilege tax to the purchaser and as tax revenues
14 collected from the seller to designate the distribution base pursuant to
15 section 42-5029.

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

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

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

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

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

37 1. "Aircraft" includes:

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

41 (b) Tangible personal property that is permanently affixed or attached
42 as a component part of an aircraft that is owned or operated by a
43 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 3. "Selling at retail" means a sale for any purpose other than for
5 resale in the regular course of business in the form of tangible personal
6 property, but transfer of possession, lease and rental as used in the
7 definition of sale mean only such transactions as are found on investigation
8 to be in lieu of sales as defined without the words lease or rental.

9 ~~W.~~ For the purposes of subsection ~~⌋~~ I of this section:

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

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

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

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

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

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

37 Sec. 9. Section 42-5071, Arizona Revised Statutes, is amended to read:

38 42-5071. Personal property rental classification

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

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

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

4 3. Leasing or renting tangible personal property by a parent
5 corporation to a subsidiary corporation or by a subsidiary corporation to
6 another subsidiary of the same parent corporation if taxes were paid under
7 this chapter on the gross proceeds or gross income accruing from the initial
8 sale of the tangible personal property. For the purposes of this paragraph,
9 "subsidiary" means a corporation of which at least eighty ~~per cent~~ PERCENT of
10 the voting shares are owned by the parent corporation.

11 4. Operating coin-operated washing, drying and dry cleaning machines
12 or coin-operated car washing machines at establishments for the use of such
13 machines.

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

19 6. Leasing or renting aircraft, flight simulators or similar training
20 equipment to students or staff by nonprofit, accredited educational
21 institutions that offer associate or baccalaureate degrees in aviation or
22 aerospace related fields.

23 7. Leasing or renting photographs, transparencies or other creative
24 works used by this state on internet websites, in magazines or in other
25 publications that encourage tourism.

26 8. Leasing or renting certified ignition interlock devices installed
27 pursuant to the requirements prescribed by section 28-1461. For the purposes
28 of this paragraph, "certified ignition interlock device" has the same meaning
29 prescribed in section 28-1301.

30 B. The tax base for the personal property rental classification is the
31 gross proceeds of sales or gross income derived from the business, but the
32 gross proceeds of sales or gross income derived from the following shall be
33 deducted from the tax base:

34 1. Reimbursements by the lessee to the lessor of a motor vehicle for
35 payments by the lessor of the applicable fees and taxes imposed by sections
36 28-2003, 28-2352, 28-2402, 28-2481 and 28-5801, title 28, chapter 15,
37 article 2 and article IX, section 11, Constitution of Arizona, to the extent
38 such amounts are separately identified as such fees and taxes and are billed
39 to the lessee.

40 2. Leases or rentals of tangible personal property that, if it had
41 been purchased instead of leased or rented by the lessee, would have been
42 exempt under:

43 (a) Section 42-5061, subsection A, paragraph 8, 9, 12, 13, 25, 29, 49
44 or 54 53.

1 (b) Section 42-5061, subsection B, except that a lease or rental of
2 new machinery or equipment is not exempt pursuant to:

3 (i) Section 42-5061, subsection B, paragraph 13 if the lease is for
4 less than two years.

5 (ii) Section 42-5061, subsection B, paragraph 21.

6 (c) Section 42-5061, subsection ~~J~~ I, paragraph 1.

7 (d) Section 42-5061, subsection ~~N~~ M.

8 3. 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 and sales
11 of aviation fuel that are subject to the tax imposed under section 28-8344.

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

14 5. Amounts received by a motor vehicle dealer for the first month of a
15 lease payment if the lease and the lease payment for the first month of the
16 lease are transferred to a third-party leasing company.

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

20 D. In computing the tax base, the gross proceeds of sales or gross
21 income from the lease or rental of a motor vehicle does not include any
22 amount attributable to the car rental surcharge under section 5-839, 28-5810
23 or 48-4234.

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

32 Sec. 10. Section 42-5072, Arizona Revised Statutes, is amended to
33 read:

34 42-5072. Mining classification; definition

35 A. The mining classification is comprised of the business of mining,
36 quarrying or producing for sale, profit or commercial use any
37 nonmetalliferous mineral product that has been mined, quarried or otherwise
38 extracted within the boundaries of this state described in article I, section
39 1, Constitution of Arizona.

40 B. The tax base for the mining classification is the gross proceeds of
41 sales or gross income derived from the business. The gross proceeds of sales
42 or gross income derived from sales described under section 42-5061,
43 subsection A, paragraph 27 and subsection ~~J~~ I, paragraph 2 shall be deducted
44 from the tax base.

1 C. The tax base includes the value of the entire product mined,
2 quarried or produced for sale, profit or commercial use in this state,
3 regardless of the place of sale of the product or of the fact that deliveries
4 may be made to points without this state. If, however, the sale price of the
5 product includes freight, the sale price shall be reduced by the actual
6 freight paid by any person from the place of production to the place of
7 delivery.

8 D. In the case of a person engaged in business classified under the
9 mining classification all or part of whose income is derived from service or
10 manufacturing charges instead of from sales of the products manufactured or
11 handled, the tax base includes the gross income of the person derived from
12 the service or manufacturing charge.

13 E. If a person engaging in business classified under the mining
14 classification ships or transports all or part of a product out of this state
15 without making sale of the product or ships his product outside of this state
16 in an unfinished condition, the value of the product or article in the
17 condition or form in which it existed when transported out of this state and
18 before it enters interstate commerce is included in the tax base, and the
19 department shall prescribe equitable and uniform rules for ascertaining that
20 value. In determining the tax base, if the product or any part of the
21 product has been processed in this state and the proceeds of such processing
22 have been included in the tax base of the processor under this chapter, the
23 person may deduct from the value of the product when transported out of this
24 state the cost of such processing.

25 F. A person who conducts a business classified under the mining
26 classification may be deemed also to be engaged in business classified under
27 the retail classification to the extent the person's activities comprise
28 business under the retail classification if the tax is paid at the rate
29 imposed on the retail classification by section 42-5010. If the transaction
30 is not subject to taxation under the retail classification, the transaction
31 shall be included in the tax base under this section, except for the transfer
32 of title or possession of coal back and forth between an owner or operator of
33 a power plant and a person who is responsible for refining coal if both of
34 the following apply:

35 1. The transfer of title or possession of the coal is for the purpose
36 of refining the coal.

37 2. The title or possession of the coal is transferred back to the
38 owner or operator of the power plant after completion of the coal refining
39 process. For the purposes of this paragraph, "coal refining process" means
40 the application of a coal additive system that aids the reduction of power
41 plant emissions during the combustion of coal and the treatment of flue gas.

42 G. For the purposes of this section, "nonmetalliferous mineral
43 product" means oil, natural gas, limestone, sand, gravel or any other

1 nonmetalliferous mineral product, compound or combination of nonmetalliferous
2 mineral products.

3 Sec. 11. Section 42-5075, Arizona Revised Statutes, as amended by Laws
4 2015, chapter 4, section 11, is amended to read:

5 42-5075. Prime contracting classification; exemptions;
6 definitions

7 A. The prime contracting classification is comprised of the business
8 of prime contracting and the business of manufactured building dealer. Sales
9 for resale to another manufactured building dealer are not subject to tax.
10 Sales for resale do not include sales to a lessor of manufactured buildings.
11 The sale of a used manufactured building is not taxable under this chapter.

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

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

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

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

27 4. The gross proceeds of sales or gross income received from a
28 contract entered into for the modification of any building, highway, road,
29 railroad, excavation, manufactured building or other structure, project,
30 development or improvement located in a military reuse zone for providing
31 aviation or aerospace services or for a manufacturer, assembler or fabricator
32 of aviation or aerospace products within an active military reuse zone after
33 the zone is initially established or renewed under section 41-1531. To be
34 eligible to qualify for this deduction, before beginning work under the
35 contract, the prime contractor must have applied for a letter of
36 qualification from the department of revenue.

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

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

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

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

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

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

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

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

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

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

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

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

42 (ii) Any activity performed on any tangible personal property relating
43 to machinery, equipment or other tangible personal property with independent

1 functional utility in furtherance of any of the purposes provided for under
2 subdivision (d) of this paragraph.

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

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

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

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

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

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

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

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

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

35 (a) Section 42-5061, subsection A, paragraph 25, 29, ~~or 58~~ 57 OR 59.

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

37 (c) Section 42-5159, subsection A, paragraph 13, subdivision (a), (b),
38 (c), (d), (e), (f), (j), (k), ~~(l)~~, (m) or (n) or paragraph 54 OR 56.

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

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

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

9 11. The gross proceeds of sales or gross income that is derived from
10 the installation, assembly, repair or maintenance of clean rooms that are
11 deducted from the tax base of the retail classification pursuant to section
12 42-5061, subsection B, paragraph 16.

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

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

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

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

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

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

42 18. The gross proceeds of sales or gross income received from a
43 contract for the construction of any building, or other structure, project,
44 development or improvement owned by a qualified business under section

1 41-1516 for harvesting or processing qualifying forest products removed from
2 qualifying projects as defined in section 41-1516 if actual construction
3 begins before January 1, 2024. To qualify for this deduction, the prime
4 contractor must obtain a letter of qualification from the Arizona commerce
5 authority before beginning work under the contract.

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

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

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

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

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

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

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

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

43 (d) "Renewable energy" has the same meaning prescribed in section
44 41-1511.

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

3 1. A prime contractor may establish entitlement to the deduction by
4 both:

5 (a) Marking the invoice for the transaction to indicate that the gross
6 proceeds of sales or gross income derived from the transaction was deducted
7 from the base.

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

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

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

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

40 D. Subcontractors or others who perform modification activities are
41 not subject to tax if they can demonstrate that the job was within the
42 control of a prime contractor or contractors or a dealership of manufactured
43 buildings and that the prime contractor or dealership is liable for the tax

1 on the gross income, gross proceeds of sales or gross receipts attributable
2 to the job and from which the subcontractors or others were paid.

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

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

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

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

34 I. The gross proceeds of sales or gross income derived from a contract
35 for lawn maintenance services are not subject to tax under this section if
36 the contract does not include landscaping activities. Lawn maintenance
37 service is a service pursuant to section 42-5061, subsection A, paragraph 1,
38 and includes lawn mowing and edging, weeding, repairing sprinkler heads or
39 drip irrigation heads, seasonal replacement of flowers, refreshing gravel,
40 lawn de-thatching, seeding winter lawns, leaf and debris collection and
41 removal, tree or shrub pruning or clipping, garden and gravel raking and
42 applying pesticides, as defined in section 3-361, and fertilizer materials,
43 as defined in section 3-262.

1 J. Except as provided in subsection O of this section, the gross
2 proceeds of sales or gross income derived from landscaping activities are
3 subject to tax under this section. Landscaping includes installing lawns,
4 grading or leveling ground, installing gravel or boulders, planting trees and
5 other plants, felling trees, removing or mulching tree stumps, removing other
6 imbedded plants, building irrigation berms, installing railroad ties and
7 installing underground sprinkler or watering systems.

8 K. The portion of gross proceeds of sales or gross income attributable
9 to the actual direct costs of providing architectural or engineering services
10 that are incorporated in a contract is not subject to tax under this section.
11 For the purposes of this subsection, "direct costs" means the portion of the
12 actual costs that are directly expended in providing architectural or
13 engineering services.

14 L. Operating a landfill or a solid waste disposal facility is not
15 subject to taxation under this section, including filling, compacting and
16 creating vehicle access to and from cell sites within the landfill.
17 Constructing roads to a landfill or solid waste disposal facility and
18 constructing cells within a landfill or solid waste disposal facility may be
19 deemed prime contracting under this section.

20 M. The following apply in determining the taxable situs of sales of
21 manufactured buildings:

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

25 2. For sales in this state where the manufactured building dealer does
26 not contract to deliver the building to a setup site or does not perform the
27 setup, the taxable situs is the location of the dealership where the building
28 is delivered to the buyer.

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

32 N. The gross proceeds of sales or gross income attributable to a
33 written contract for design phase services or professional services, executed
34 before modification begins and with terms, conditions and pricing of all of
35 these services separately stated in the contract from those for construction
36 phase services, is not subject to tax under this section, regardless of
37 whether the services are provided sequential to or concurrent with prime
38 contracting activities that are subject to tax under this section. This
39 subsection does not include the gross proceeds of sales or gross income
40 attributable to construction phase services. For the purposes of this
41 subsection:

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

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

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

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

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

15 (ii) The amount of an adjustment, if any, to the guaranteed maximum
16 price as set in the contract for modification work. For the purposes of this
17 item, "guaranteed maximum price" means the amount guaranteed to be the
18 maximum amount due to a prime contractor for the performance of all
19 modification work for the project.

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

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

27 (e) Inspection to determine the dates of substantial completion or
28 final completion.

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

35 (g) Preparation of status reports after modification work has begun
36 detailing the progress of work performed, including preparation of any of the
37 following:

38 (i) Master schedule updates.

39 (ii) Modification work cash flow projection updates.

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

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

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

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

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

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

8 2. "Design phase services" means services for developing and
9 completing a design for a project that are not construction phase services,
10 including the following:

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

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

17 (c) Preparing drawings and specifications for architectural program
18 documents, schematic design documents, design development documents,
19 modification work documents or documents that identify the scope of or
20 materials for the project.

21 (d) Preparing an initial schedule for the project, excluding the
22 preparation of updates to the master schedule after modification work has
23 begun.

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

27 (i) Labor, materials, machinery and equipment, tools, water, heat,
28 utilities, transportation and other facilities and services used in the
29 execution and completion of modification work, regardless of whether they are
30 temporary or permanent or whether they are incorporated in the modifications.

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

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

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

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

40 (vi) Any bond and insurance premiums.

41 (vii) Any applicable taxes.

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

1 (f) Reviewing and evaluating cost estimates and project documents to
2 prepare recommendations on site use, site improvements, selection of
3 materials, building systems and equipment, modification feasibility,
4 availability of materials and labor, local modification activity as related
5 to schedules and time requirements for modification work.

6 (g) Preparing the plan and procedures for selection of subcontractors,
7 including any prequalification of subcontractor candidates.

8 3. "Professional services" means architect services, assayer services,
9 engineer services, geologist services, land surveying services or landscape
10 architect services that are within the scope of those services as provided in
11 title 32, chapter 1 and for which gross proceeds of sales or gross income has
12 not otherwise been deducted under subsection K of this section.

13 0. The gross proceeds of sales or gross income derived from a contract
14 with the owner of real property or improvements to real property for the
15 maintenance, repair, replacement or alteration of existing property is not
16 subject to tax under this section if the contract does not include
17 modification activities, except as specified in this subsection. The gross
18 proceeds of sales or gross income derived from a de minimis amount of
19 modification activity does not subject the contract or any part of the
20 contract to tax under this section. For the purposes of this subsection:

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

24 2. Each contract is independent of any other contract, except that any
25 change order that directly relates to the scope of work of the original
26 contract shall be treated the same as the original contract under this
27 chapter, regardless of the amount of modification activities included in the
28 change order. If a change order does not directly relate to the scope of
29 work of the original contract, the change order shall be treated as a new
30 contract, with the tax treatment of any subsequent change order to follow the
31 tax treatment of the contract to which the scope of work of the subsequent
32 change order directly relates.

33 P. Notwithstanding subsection 0 of this section, a contract that
34 primarily involves surface or subsurface improvements to land and that is
35 subject to title 28, chapter 19, 20 or 22 or title 34, chapter 2 or 6 is
36 taxable under this section, even if the contract also includes vertical
37 improvements. Agencies that are subject to procurement processes under those
38 provisions shall include in the request for proposals a notice to bidders
39 when those projects are subject to this section. This subsection does not
40 apply to contracts with:

41 1. Community facilities districts, fire districts, county television
42 improvement districts, community park maintenance districts, cotton pest
43 control districts, hospital districts, pest abatement districts, health
44 service districts, agricultural improvement districts, county free library

1 districts, county jail districts, county stadium districts, special health
2 care districts, public health services districts, theme park districts,
3 regional attraction districts or revitalization districts.

4 2. Any special taxing district not specified in paragraph 1 of this
5 subsection if the district does not substantially engage in the modification,
6 maintenance, repair, replacement or alteration of surface or subsurface
7 improvements to land.

8 Q. Notwithstanding subsection R, paragraph 10 of this section, a
9 person owning real property who enters into a contract for sale of the real
10 property, who is responsible to the new owner of the property for
11 modifications made to the property in the period subsequent to the transfer
12 of title and who receives a consideration for the modifications is considered
13 a prime contractor solely for purposes of taxing the gross proceeds of sale
14 or gross income received for the modifications made subsequent to the
15 transfer of title. The original owner's gross proceeds of sale or gross
16 income received for the modifications shall be determined according to the
17 following methodology:

18 1. If any part of the contract for sale of the property specifies
19 amounts to be paid to the original owner for the modifications to be made in
20 the period subsequent to the transfer of title, the amounts are included in
21 the original owner's gross proceeds of sale or gross income under this
22 section. Proceeds from the sale of the property that are received after
23 transfer of title and that are unrelated to the modifications made subsequent
24 to the transfer of title are not considered gross proceeds of sale or gross
25 income from the modifications.

26 2. If the original owner enters into an agreement separate from the
27 contract for sale of the real property providing for amounts to be paid to
28 the original owner for the modifications to be made in the period subsequent
29 to the transfer of title to the property, the amounts are included in the
30 original owner's gross proceeds of sale or gross income received for the
31 modifications made subsequent to the transfer of title.

32 3. If the original owner is responsible to the new owner for
33 modifications made to the property in the period subsequent to the transfer
34 of title and derives any gross proceeds of sale or gross income from the
35 project subsequent to the transfer of title other than a delayed disbursement
36 from escrow unrelated to the modifications, it is presumed that the amounts
37 are received for the modifications made subsequent to the transfer of title
38 unless the contrary is established by the owner through its books, records
39 and papers kept in the regular course of business.

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

42 R. For the purposes of this section:

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

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

9 (b) For all existing property other than existing property described
10 in subdivision (a) of this paragraph, this paragraph does not apply if any of
11 the following is true:

12 (i) The contract amount is more than seven hundred fifty thousand
13 dollars.

14 (ii) The scope of work directly relates to more than forty percent of
15 the existing square footage of the existing property.

16 (iii) The scope of work involves expanding the square footage of more
17 than ten percent of the existing property.

18 (c) Project elements may not be artificially separated from a contract
19 to cause a project to qualify as an alteration. The department has the
20 burden of proof that project elements have been artificially separated from a
21 contract.

22 (d) If a project for which the owner and the person performing the
23 work reasonably believed, at the inception of the contract, would be treated
24 as an alteration under this paragraph and, on completion of the project, the
25 project exceeded the applicable threshold described in either subdivision (a)
26 or (b) of this paragraph by no more than twenty-five percent of the
27 applicable threshold for any reason, the work performed under the contract
28 qualifies as an alteration.

29 (e) A change order that directly relates to the scope of work of the
30 original contract shall be treated as part of the original contract, and the
31 contract amount shall include any amount attributable to a change order that
32 directly relates to the scope of work of the original contract.

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

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

35 3. "Contractor" is synonymous with the term "builder" and means any
36 person or organization that undertakes to or offers to undertake to, or
37 purports to have the capacity to undertake to, or submits a bid to, or does
38 personally or by or through others, modify any building, highway, road,
39 railroad, excavation, manufactured building or other structure, project,
40 development or improvement, or to do any part of such a project, including
41 the erection of scaffolding or other structure or works in connection with
42 such a project, and includes subcontractors and specialty contractors. For
43 all purposes of taxation or deduction, this definition shall govern without

1 regard to whether or not such contractor is acting in fulfillment of a
2 contract.

3 4. "Manufactured building" means a manufactured home, mobile home or
4 factory-built building, as defined in section 41-2142.

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

6 (a) Is licensed pursuant to title 41, chapter 16 and who sells
7 manufactured buildings to the final consumer.

8 (b) Supervises, performs or coordinates the excavation and completion
9 of site improvements or the setup or moving of a manufactured building
10 including the contracting, if any, with any subcontractor or specialty
11 contractor for the completion of the contract.

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

14 (a) Any project described in subsection 0 of this section.

15 (b) Any wreckage or demolition of existing property, or any other
16 activity that is a necessary component of a project described in subsection 0
17 of this section.

18 (c) Any mobilization or demobilization related to a project described
19 in subsection 0 of this section, such as the erection or removal of temporary
20 facilities to be used by those persons working on the project.

21 7. "Modify" means to make a modification or cause a modification to be
22 made.

23 8. "Owner" means the person that holds title to the real property or
24 improvements to real property that is the subject of the work, as well as an
25 agent of the title holder and any person with the authority to perform or
26 authorize work on the real property or improvements, including a tenant and a
27 property manager. For the purposes of subsection 0 of this section, a person
28 who is hired by a general contractor that is hired by an owner, or a
29 subcontractor of a general contractor that is hired by an owner, is
30 considered to be hired by the owner.

31 9. "Prime contracting" means engaging in business as a prime
32 contractor.

33 10. "Prime contractor" means a contractor who supervises, performs or
34 coordinates the modification of any building, highway, road, railroad,
35 excavation, manufactured building or other structure, project, development or
36 improvement including the contracting, if any, with any subcontractors or
37 specialty contractors and who is responsible for the completion of the
38 contract. Except as provided in subsections E and Q of this section, a
39 person who owns real property, who engages one or more contractors to modify
40 that real property and who does not itself modify that real property is not a
41 prime contractor within the meaning of this paragraph regardless of the
42 existence of a contract for sale or the subsequent sale of that real
43 property.

1 11. "Replacement" means the removal of one component or system of
2 existing property or tangible personal property installed in existing
3 property, including machinery or equipment, and the installation of a new
4 component or system or new tangible personal property, including machinery or
5 equipment, that provides the same or upgraded design or functionality,
6 regardless of the contract amount.

7 12. "Sale of a used manufactured building" does not include a lease of
8 a used manufactured building.

9 Sec. 12. Section 42-5159, Arizona Revised Statutes, as amended by Laws
10 2015, chapter 4, section 12, is amended to read:

11 42-5159. Exemptions

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

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

18 2. Tangible personal property the sale or use of which has already
19 been subjected to an excise tax at a rate equal to or exceeding the tax
20 imposed by this article under the laws of another state of the United States.
21 If the excise tax imposed by the other state is at a rate less than the tax
22 imposed by this article, the tax imposed by this article is reduced by the
23 amount of the tax already imposed by the other state.

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

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

31 5. Motor vehicle fuel and use fuel, the sales, distribution or use of
32 which in this state is subject to the tax imposed under title 28, chapter 16,
33 article 1, use fuel that is sold to or used by a person holding a valid
34 single trip use fuel tax permit issued under section 28-5739, aviation fuel,
35 the sales, distribution or use of which in this state is subject to the tax
36 imposed under section 28-8344, and jet fuel, the sales, distribution or use
37 of which in this state is subject to the tax imposed under article 8 of this
38 chapter.

39 6. Tangible personal property brought into this state by an individual
40 who was a nonresident at the time the property was purchased for storage, use
41 or consumption by the individual if the first actual use or consumption of
42 the property was outside this state, unless the property is used in
43 conducting a business in this state.

- 1 7. Purchases of implants used as growth promotants and injectable
2 medicines, not already exempt under paragraph 16 of this subsection, for
3 livestock and poultry owned by, or in possession of, persons who are engaged
4 in 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 8. Livestock, poultry, supplies, feed, salts, vitamins and other
8 additives for use or consumption in the businesses of farming, ranching and
9 feeding livestock or poultry, not including fertilizers, herbicides and
10 insecticides. For the purposes of this paragraph, "poultry" includes
11 ratites.
- 12 9. Seeds, seedlings, roots, bulbs, cuttings and other propagative
13 material for use in commercially producing agricultural, horticultural,
14 viticultural or floricultural crops in this state.
- 15 10. Tangible personal property not exceeding two hundred dollars in any
16 one month purchased by an individual at retail outside the continental limits
17 of the United States for the individual's own personal use and enjoyment.
- 18 11. Advertising supplements that are intended for sale with newspapers
19 published in this state and that have already been subjected to an excise tax
20 under the laws of another state in the United States that equals or exceeds
21 the tax imposed by this article.
- 22 12. Materials that are purchased by or for publicly funded libraries
23 including school district libraries, charter school libraries, community
24 college libraries, state university libraries or federal, state, county or
25 municipal libraries for use by the public as follows:
- 26 (a) Printed or photographic materials, beginning August 7, 1985.
27 (b) Electronic or digital media materials, beginning July 17, 1994.
- 28 13. Tangible personal property purchased by:
- 29 (a) A hospital organized and operated exclusively for charitable
30 purposes, no part of the net earnings of which inures to the benefit of any
31 private shareholder or individual.
- 32 (b) A hospital operated by this state or a political subdivision of
33 this state.
- 34 (c) A licensed nursing care institution or a licensed residential care
35 institution or a residential care facility operated in conjunction with a
36 licensed nursing care institution or a licensed kidney dialysis center, which
37 provides medical services, nursing services or health related services and is
38 not used or held for profit.
- 39 (d) A qualifying health care organization, as defined in section
40 42-5001, if the tangible personal property is used by the organization solely
41 to provide health and medical related educational and charitable services.
- 42 (e) A qualifying health care organization as defined in section
43 42-5001 if the organization is dedicated to providing educational,
44 therapeutic, rehabilitative and family medical education training for blind

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

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

8 (g) A person that is subject to tax under this chapter by reason of
9 being engaged in business classified under section 42-5075, or a
10 subcontractor working under the control of a person that is engaged in
11 business classified under section 42-5075, if the tangible personal property
12 is any of the following:

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

15 (ii) Incorporated or fabricated by the person into any project
16 described in section 42-5075, subsection 0.

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

19 (h) A person that is not subject to tax under section 42-5075 and that
20 has been provided a copy of a certificate described in section 42-5009,
21 subsection L, if the property purchased is incorporated or fabricated by the
22 person into the real property, structure, project, development or improvement
23 described in the certificate.

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

28 (j) A qualifying community health center as defined in section
29 42-5001.

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

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

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

1 low income persons over sixty-two years of age in a facility that qualifies
2 for a federal housing subsidy.

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

5 (o) A person representing or working on behalf of any person described
6 in subdivision (a), (b), (c), (d), (e), (f), (i), (j), (k), (m) or (n) of
7 this paragraph, if the tangible personal property is incorporated or
8 fabricated into a project described in section 42-5075, subsection 0.

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

14 15. Tangible personal property sold by:

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

18 (b) A nonprofit organization that is exempt from taxation under
19 section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the
20 organization is associated with a major league baseball team or a national
21 touring professional golfing association and no part of the organization's
22 net earnings inures to the benefit of any private shareholder or individual.

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

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

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

35 18. Prescription eyeglasses and contact lenses.

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

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

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

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

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

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

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

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

19 27. Lottery tickets or shares purchased pursuant to title 5, chapter
20 5.1, article 1.

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

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

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

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

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

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

43 (b) Public educational institutions.

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

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

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

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

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

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

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

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

42 (a) "Overhead materials" means tangible personal property, the gross
43 proceeds of sales or gross income derived from which would otherwise be
44 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. Computer data center equipment purchased by the owner, operator or
44 qualified colocation tenant of the computer data center or an authorized

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

10 55. Coal acquired from an owner or operator of a power plant by a
11 person who is responsible for refining coal if both of the following apply:

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

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

19 56. Tangible personal property incorporated or fabricated into a
20 project described in section 42-5075, subsection 0, that is located within
21 the exterior boundaries of an Indian reservation for which the owner, as
22 defined in section 42-5075, of the project is an Indian tribe or an
23 affiliated Indian. For the purposes of this paragraph:

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

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

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

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

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

1 2. Machinery, or equipment, used directly in the process of extracting
2 ores or minerals from the earth for commercial purposes, including equipment
3 required to prepare the materials for extraction and handling, loading or
4 transporting such extracted material to the surface. "Mining" includes
5 underground, surface and open pit operations for extracting ores and
6 minerals.

7 3. Tangible personal property sold to persons engaged in business
8 classified under the telecommunications classification under section 42-5064,
9 including a person representing or working on behalf of such a person in a
10 manner described in section 42-5075, subsection 0, and consisting of central
11 office switching equipment, switchboards, private branch exchange equipment,
12 microwave radio equipment and carrier equipment including optical fiber,
13 coaxial cable and other transmission media that are components of carrier
14 systems.

15 4. Machinery, equipment or transmission lines used directly in
16 producing or transmitting electrical power, but not including distribution.
17 Transformers and control equipment used at transmission substation sites
18 constitute equipment used in producing or transmitting electrical power.

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

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

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

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

34 (b) Any foreign government, or sold to persons who are not residents
35 of this state and who will not use such property in this state other than in
36 removing such 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. Rolling stock, rails, ties and signal control equipment used
42 directly to transport persons or property.

1 10. Machinery or equipment used directly to drill for oil or gas or
2 used directly in the process of extracting oil or gas from the earth for
3 commercial purposes.

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

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

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

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

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

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

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

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

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

43 (i) Over two-thirds of the transmissions, measured in megabytes,
44 transmitted by the facility during the test period were transmitted to or on

1 behalf of one or more direct broadcast satellite television or data
2 transmission services that operate pursuant to 47 Code of Federal Regulations
3 part 25.

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

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

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

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

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

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

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

43 19. Machinery and equipment that are used in the commercial production
44 of livestock, livestock products or agricultural, horticultural, viticultural

1 or floricultural crops or products in this state and that are used directly
2 and primarily to prevent, monitor, control or reduce air, water or land
3 pollution.

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

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

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

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

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

24 C. The exemptions provided by subsection B of this section do not
25 include:

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

30 2. Janitorial equipment and hand tools.

31 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

3 1. Revenues received from sales of ancillary services, electric
4 distribution services, electric generation services, electric transmission
5 services and other services related to providing electricity to a retail
6 electric customer who is located outside this state for use outside this
7 state if the electricity is delivered to a point of sale outside this state.

8 2. Revenues received from providing electricity, including ancillary
9 services, electric distribution services, electric generation services,
10 electric transmission services and other services related to providing
11 electricity with respect to which the transaction privilege tax imposed under
12 section 42-5063 has been paid.

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

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

18 1. Fees charged by a municipally owned utility to persons constructing
19 residential, commercial or industrial developments or connecting residential,
20 commercial or industrial developments to a municipal utility system or
21 systems if the fees are segregated and used only for capital expansion,
22 system enlargement or debt service of the utility system or systems.

23 2. Reimbursement or contribution compensation to any person or persons
24 owning a utility system for property and equipment installed to provide
25 utility access to, on or across the land of an actual utility consumer if the
26 property and equipment become the property of the utility. This deduction
27 shall not exceed the value of such property and equipment.

28 G. The tax levied by this article does not apply to the purchase price
29 of electricity or natural gas by a business that is principally engaged in
30 manufacturing or smelting operations and that uses at least fifty-one percent
31 of the electricity or natural gas in the manufacturing or smelting
32 operations. This subsection does not apply to gas transportation
33 services. For the purposes of this subsection:

34 1. "Gas transportation services" means the services of transporting
35 natural gas to a natural gas customer or to a natural gas distribution
36 facility if the natural gas was purchased from a supplier other than the
37 utility.

38 2. "Manufacturing" means the performance as a business of an
39 integrated series of operations that places tangible personal property in a
40 form, composition or character different from that in which it was acquired
41 and transforms it into a different product with a distinctive name, character
42 or use. Manufacturing does not include processing, fabricating, job
43 printing, mining, generating electricity or operating a restaurant.

1 3. "Principally engaged" means at least fifty-one percent of the
2 business is a manufacturing or smelting operation.

3 4. "Smelting" means to melt or fuse a metalliferous mineral, often
4 with an accompanying chemical change, usually to separate the metal.

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

6 1. "Aircraft" includes:

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

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

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

16 I. For the purposes of subsection D of this section, "ancillary
17 services", "electric distribution service", "electric generation service",
18 "electric transmission service" and "other services" have the same meanings
19 prescribed in section 42-5063.

20 Sec. 13. Section 42-12057, Arizona Revised Statutes, is amended to
21 read:

22 42-12057. Criteria for renewable energy property

23 A. To qualify for the classification as class six pursuant to section
24 42-12006, paragraph ~~9~~ 8, the owner of a manufacturing facility or
25 headquarters facility must be certified pursuant to section 41-1511,
26 subsection C and must provide documentation to the county assessor each year
27 that the facility is primarily dedicated to renewable energy manufacturing or
28 regional, national or global renewable energy business headquarters
29 operations.

30 B. For the purposes of this section, renewable energy operations are
31 limited to manufacturers of, and headquarters for, systems and components
32 that are used or useful in manufacturing renewable energy equipment for the
33 generation, storage, testing and research and development, transmission or
34 distribution of electricity from renewable resources, including specialized
35 crates necessary to package the renewable energy equipment manufactured at
36 the facility.

37 Sec. 14. Section 42-13304, Arizona Revised Statutes, is amended to
38 read:

39 42-13304. Exemptions from limitation

40 The limitations prescribed by this article do not apply to:

41 1. Personal property, other than mobile homes. The full cash value of
42 personal property, other than mobile homes, shall be used for all purposes in
43 lieu of limited property value.

1 2. Property included in property class one under section 42-12001,
2 paragraphs 1 through 7, ~~and~~ 11 AND 14. The full cash value of that property
3 shall be used for all purposes in lieu of limited property value.

4 Sec. 15. Section 42-14159, Arizona Revised Statutes, is amended to
5 read:

6 42-14159. Computing valuation of distribution cooperatives;
7 standard market value factor; definitions

8 A. The department shall determine the valuation of the electric
9 distribution and transmission property of a distribution cooperative as
10 defined in section 42-14154 that is operating in this state as follows:

11 1. Compute the value of the property pursuant to section 42-14154,
12 subsection B.

13 2. Multiply the value computed under paragraph 1 of this subsection by
14 the standard market value factor determined under subsection E of this
15 section.

16 B. The value of construction work in progress is fifty per cent of the
17 amount spent and entered on the taxpayer's accounting records as of December
18 31 of the preceding calendar year as construction work in progress.

19 C. The value of materials and supplies is the total cost of this
20 property as of December 31 of the preceding calendar year.

21 D. The value of environmental protection facilities that are required
22 by law is fifty per cent of the depreciated cost of the facilities.

23 E. The standard market value factor shall be determined as follows:

24 1. Using the most recent publicly available data obtained from annual
25 reports produced by the federal energy regulatory commission OR THE PUBLICLY
26 AVAILABLE DATA FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FORM 10-K
27 for each investor-owned electric utility operating in this state, calculate
28 the following standard factors for each investor-owned electric utility:

29 (a) Megawatt hours sold to ultimate customers per ultimate customer.

30 (b) Megawatt hours sold to ultimate customers per net dollar invested
31 in distribution plant.

32 (c) Megawatt hours sold to ultimate customers per dollar of operating
33 and maintenance expense.

34 (d) Megawatt hours sold to ultimate customers per dollar of
35 distribution operating and maintenance expense.

36 (e) The number of ultimate customers per net dollar invested in
37 distribution plant.

38 (f) The number of ultimate customers per mile of distribution line.

39 2. Determine the average of each of the six standard factors under
40 paragraph 1 of this subsection for the investor-owned electric utilities
41 operating in this state as follows:

42 (a) For each factor, add the values obtained for that factor for all
43 investor-owned electric utilities operating in this state.

1 (b) Divide the sum obtained under subdivision (a) of this paragraph
2 for each factor by the number of investor-owned electric utilities operating
3 in this state that were included in the calculation under subdivision (a) of
4 this paragraph for that factor.

5 3. Using information obtained from the most recent report filed with
6 the department under section 42-14152, calculate each of the standard factors
7 under paragraph 1 of this subsection for the distribution cooperative.

8 4. Divide each of the six standard factors for the distribution
9 cooperative calculated under paragraph 3 of this subsection by the
10 corresponding average standard factors calculated under paragraph 2 of this
11 subsection.

12 5. Add the six ratios calculated pursuant to paragraph 4 of this
13 subsection, and divide that sum by six. The quotient is the standard market
14 value factor.

15 F. For the purposes of this section:

16 1. "Distribution line" means a line that is capable of transporting
17 voltage of 69,000 volts or less and that is employed between the primary
18 source of power supply and delivery to a customer.

19 2. "Distribution plant" means all property that is situated in this
20 state and that is used or useful for the distribution of electric power
21 except land rights, materials and supplies, and licensed vehicles.

22 3. "Investor-owned electric utility" means a business organization
23 that provides electric power production and distribution, is regarded as a
24 utility and is managed as a private enterprise rather than a function of a
25 government or as a utility cooperative.

26 Sec. 16. Section 43-1098, Arizona Revised Statutes, is amended to
27 read:

28 43-1098. Apportionment of exemptions

29 A. Any resident taxpayer, other than an active member of the armed
30 forces of the United States or any other auxiliary branch, who commences or
31 terminates his residency in this state during any one taxable year shall
32 prorate the following on the basis of the proportion which such taxpayer's
33 total Arizona gross income bears to the federal adjusted gross income:

34 1. The personal exemption provided in section 43-1043.

35 2. The exemptions provided in section 43-1023 for the blind, for
36 persons age sixty-five or older and for dependents.

37 B. The percentage of exemption allowed shall be computed by dividing
38 the taxpayer's Arizona ~~adjusted~~ gross income by the federal adjusted gross
39 income.

APPROVED BY THE GOVERNOR APRIL 9, 2015.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 10, 2015.

Passed the House March 25, 2015,

by the following vote: 59 Ayes,
0 Nays, 1 Not Voting



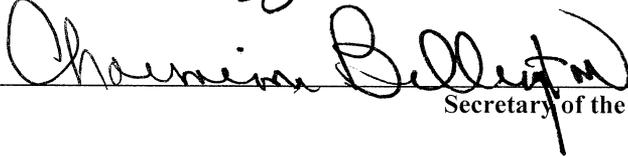
Speaker of the House
pro tempore


Chief Clerk of the House

Passed the Senate February 23, 2015,

by the following vote: 27 Ayes,
2 Nays, 1 Not Voting



President of the Senate


Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

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

Secretary to the Governor

Approved this _____ day of
_____, 20____,
at _____ o'clock _____ M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

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

Secretary of State

S.B. 1216

SENATE CONCURS IN HOUSE
AMENDMENTS AND FINAL PASSAGE

Passed the Senate April 2, 20 15

by the following vote: 29 Ayes,

0 Nays, 1 Not Voting

K. S. Biggs
President of the Senate

Charmine Bellington
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

2nd day of April, 20 15

at 9:50 o'clock A. M.

Mista Lyman
Secretary to the Governor

Approved this 9th day of

April

at 10:46 o'clock A. M.

Faye A. Dug
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 10th day of April, 20 15

at 9:15 o'clock A. M.

Michelle Reagan
Secretary of State