

State of Arizona
Senate
Fifty-third Legislature
First Regular Session
2017

Senate Engrossed
FILED
MICHELE REAGAN
SECRETARY OF STATE

CHAPTER 76
SENATE BILL 1010

AN ACT

REPEALING SECTION 10-130, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2016, CHAPTER 289, SECTION 1; AMENDING SECTION 10-130, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2016, CHAPTER 322, SECTION 1; REPEALING SECTION 28-2055, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2016, CHAPTER 276, SECTION 12; PROVIDING FOR TRANSFERRING AND RENUMBERING; REPEALING SECTION 41-2501, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2016, CHAPTER 341, SECTION 4; AMENDING SECTION 41-2501, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2016, CHAPTER 214, SECTION 2 AND CHAPTER 312, SECTION 7; REPEALING SECTION 42-5009, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2016, CHAPTER 367, SECTION 1; AMENDING SECTION 42-5009, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2016, CHAPTER 156, SECTION 9, CHAPTER 208, SECTION 6, CHAPTER 361, SECTION 3 AND CHAPTER 374, SECTION 1; REPEALING SECTION 42-5061, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2016, CHAPTER 367, SECTION 2; AMENDING SECTION 42-5061, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2016, CHAPTER 181, SECTION 1, CHAPTER 361, SECTION 5, CHAPTER 368, SECTION 1 AND CHAPTER 369, SECTION 2; REPEALING SECTION 42-5159, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2016, CHAPTER 367, SECTION 3; AMENDING SECTION 42-5159, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2016, CHAPTER 156, SECTION 13, CHAPTER 181, SECTION 2, CHAPTER 357, SECTION 2, CHAPTER 359, SECTION 2, CHAPTER 361, SECTION 6, CHAPTER 369, SECTION 3 AND CHAPTER 374, SECTION 3; REPEALING SECTION 49-1201, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2016, CHAPTER 372, SECTION 64; AMENDING SECTION 49-1201, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2014, CHAPTER 212, SECTION 2; REPEALING LAWS 2016, CHAPTER 128, SECTION 30; REPEALING LAWS 2016, CHAPTER 340, SECTION 9; REPEALING SECTION 35-319, ARIZONA REVISED STATUTES; REPEALING LAWS 2016, CHAPTER 367, SECTION 4; RELATING TO MULTIPLE, DEFECTIVE AND CONFLICTING LEGISLATIVE DISPOSITIONS OF STATUTORY TEXT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Purpose

3 1. Section 10-130, Arizona Revised Statutes, was amended by Laws
4 2016, chapter 289, section 1 and chapter 322, section 1. However, the
5 Laws 2016, chapter 289 version did not reflect the previous valid version
6 of the section. In order to comply with article IV, part 2, section 14,
7 Constitution of Arizona, this act amends section 10-130, Arizona Revised
8 Statutes, as amended by Laws 2016, chapter 322, section 1, to incorporate
9 the amendments made by Laws 2016, chapter 289, and the chapter 289 version
10 is repealed.

11 2. Section 28-2055, Arizona Revised Statutes, was amended by Laws
12 2016, chapter 263, section 13 and chapter 276, section 12. These
13 enactments were identical. However, the amendment of section 28-2055,
14 Arizona Revised Statutes, was not included in the title of the chapter 276
15 version. In order to comply with article IV, part 2, section 13,
16 Constitution of Arizona, the chapter 276 version is repealed.

17 3. Laws 2016, chapter 240, section 1 amended title 38, chapter 6,
18 article 1, Arizona Revised Statutes, by adding section 38-962 and provided
19 for the delayed repeal of section 38-962 on January 1, 2023. However,
20 Laws 2012, chapter 287, section 2, as amended by Laws 2014, chapter 190,
21 section 12 provided for the delayed repeal of title 38, chapter 6, article
22 1, Arizona Revised Statutes, on October 1, 2017. To accomplish the intent
23 of these enactments, this act transfers and renumbers section 38-962,
24 Arizona Revised Statutes, for placement in title 38, chapter 4, article 5,
25 Arizona Revised Statutes, as section 38-672.

26 4. Section 41-2501, Arizona Revised Statutes, was amended by Laws
27 2016, chapter 214, section 2, chapter 312, section 7 and chapter 341,
28 section 4. The chapter 341 version could not be blended because of the
29 delayed effective date. In order to combine these versions, this act
30 amends the Laws 2016, chapter 214 and chapter 312 version of section
31 41-2501, Arizona Revised Statutes, to incorporate the amendments made by
32 Laws 2016, chapter 341, and the chapter 341 version is repealed.

33 5. Section 42-5009, Arizona Revised Statutes, was amended by Laws
34 2016, chapter 156, section 9, chapter 208, section 6, chapter 361, section
35 3, chapter 367, section 1 and chapter 374, section 1. The chapter 367
36 version could not be blended because of the delayed effective date. In
37 order to combine these versions, this act amends the Laws 2016, chapter
38 156, chapter 208, chapter 361 and chapter 374 version of section 42-5009,
39 Arizona Revised Statutes, to incorporate the amendments made by Laws 2016,
40 chapter 367, and the chapter 367 version is repealed.

41 6. Section 42-5061, Arizona Revised Statutes, was amended by Laws
42 2016, chapter 181, section 1, chapter 361, section 5, chapter 367, section
43 2, chapter 368, section 1 and chapter 369, section 2. The chapter 367
44 version could not be blended because of the delayed effective date. In
45 order to combine these versions, this act amends the Laws 2016, chapter

1 181, chapter 361, chapter 368 and chapter 369 version of section 42-5061,
2 Arizona Revised Statutes, to incorporate the amendments made by Laws 2016,
3 chapter 367, and the chapter 367 version is repealed.

4 7. Section 42-5159, Arizona Revised Statutes, was amended by Laws
5 2016, chapter 156, section 13, chapter 181, section 2, chapter 357,
6 section 2, chapter 359, section 2, chapter 361, section 6, chapter 367,
7 section 3, chapter 369, section 3 and chapter 374, section 3. The chapter
8 367 version could not be blended because of the delayed effective
9 date. In order to combine these versions, this act amends the Laws 2016,
10 chapter 156, chapter 181, chapter 357, chapter 359, chapter 361, chapter
11 369 and chapter 374 version of section 42-5159, Arizona Revised Statutes,
12 to incorporate the amendments made by Laws 2016, chapter 367, and the
13 chapter 367 version is repealed.

14 8. Section 49-1201, Arizona Revised Statutes, was amended by Laws
15 2016, chapter 372, section 64. However, this version did not reflect the
16 previous valid version of the section. In order to comply with article
17 IV, part 2, section 14, Constitution of Arizona, this act amends section
18 49-1201, Arizona Revised Statutes, as amended by Laws 2014, chapter 212,
19 section 2, to incorporate the amendments made by Laws 2016, chapter 372,
20 and the chapter 372 version is repealed.

21 9. Laws 2016, chapter 128, section 30 transferred and renumbered
22 title 41, chapter 16, article 5, Arizona Revised Statutes, for placement
23 in title 32, chapter 20, article 11, Arizona Revised Statutes. However,
24 Laws 2016, chapter 128 did not add title 32, chapter 20, article 11,
25 Arizona Revised Statutes. To accomplish the intent of these enactments,
26 this act adds title 32, chapter 20, article 11, Arizona Revised Statutes,
27 by transferring and renumbering title 41, chapter 16, article 5, Arizona
28 Revised Statutes, for placement in title 32, chapter 20, Arizona Revised
29 Statutes, as article 11, and repeals Laws 2016, chapter 128, section 30.

30 10. Laws 2016, chapter 340, section 9 provided for the delayed
31 repeal of section 35-319, Arizona Revised Statutes. However, the repeal
32 of section 35-319, Arizona Revised Statutes, was not included in the title
33 of the act. In order to comply with article IV, part 2, section 13,
34 Constitution of Arizona, this act provides for the delayed repeal of
35 section 35-319, Arizona Revised Statutes, and repeals Laws 2016, chapter
36 340, section 9.

37 Sec. 2. Repeal

38 Section 10-130, Arizona Revised Statutes, as amended by Laws 2016,
39 chapter 289, section 1, is repealed.

40 Sec. 3. Section 10-130, Arizona Revised Statutes, as amended by
41 Laws 2016, chapter 322, section 1, is amended to read:

42 10-130. Powers; duties; database

43 A. The commission has the power and authority reasonably necessary
44 to enable it to administer this title efficiently and to perform the

1 duties imposed on it by this title, including the power and authority to
2 make rules for those purposes.

3 B. The commission shall establish and maintain a database for
4 documents filed pursuant to sections 10-203, 10-1006, 10-1007, 10-1008,
5 10-1105, 10-1403, 10-1503, 10-1520, 10-2077, 10-2143, 10-3203, 10-11006,
6 10-11007, 10-11008, 10-11105, 10-11403, 10-11503, 10-11520, 29-633, 29-635
7 and 29-754. The database shall only include documents that are filed for
8 an entity with a known place of business that is located in a county with
9 a population of more than eight hundred thousand persons. The commission
10 shall post the database on its website to allow the public to search for
11 business information, including an entity's name, approval date and county
12 of the known place of business. The information must be maintained in the
13 database for at least ninety days. The commission may not charge a fee to
14 any entity for information entered into the database pursuant to this
15 subsection.

16 Sec. 4. Repeal

17 Section 28-2055, Arizona Revised Statutes, as amended by Laws 2016,
18 chapter 276, section 12, is repealed.

19 Sec. 5. Transfer and renumber

20 Section 38-962, Arizona Revised Statutes, is transferred and
21 renumbered for placement in title 38, chapter 4, article 5, Arizona
22 Revised Statutes, as section 38-672.

23 Sec. 6. Repeal

24 Section 41-2501, Arizona Revised Statutes, as amended by Laws 2016,
25 chapter 341, section 4, is repealed.

26 Sec. 7. Section 41-2501, Arizona Revised Statutes, as amended by
27 Laws 2016, chapter 214, section 2 and chapter 312, section 7, is amended
28 to read:

29 41-2501. Applicability

30 A. This chapter applies only to procurements initiated after
31 January 1, 1985 unless the parties agree to its application to
32 procurements initiated before that date.

33 B. This chapter applies to every expenditure of public monies,
34 including federal assistance monies except as otherwise specified in
35 section 41-2637, by this state, acting through a state governmental unit
36 as defined in this chapter, under any contract, except that this chapter
37 does not apply to either grants as defined in this chapter, or contracts
38 between this state and its political subdivisions or other governments,
39 except as provided in chapter 24 of this title and in article 10 of this
40 chapter. This chapter also applies to the disposal of state
41 materials. This chapter and rules adopted under this chapter do not
42 prevent any state governmental unit or political subdivision from
43 complying with the terms of any grant, gift, bequest or cooperative
44 agreement.

1 C. All political subdivisions and other local public agencies of
2 this state may adopt all or any part of this chapter and the rules adopted
3 pursuant to this chapter.

4 D. Notwithstanding any other law, sections 41-2517 and 41-2546
5 apply to any agency as defined in section 41-1001, including the office of
6 the governor.

7 E. The Arizona board of regents and the legislative and judicial
8 branches of state government are not subject to this chapter except as
9 prescribed in subsection F of this section.

10 F. The Arizona board of regents and the judicial branch shall adopt
11 rules prescribing procurement policies and procedures for themselves and
12 institutions under their jurisdiction. The rules must be substantially
13 equivalent to the policies and procedures prescribed in this chapter.

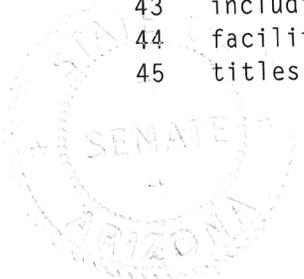
14 G. The Arizona state lottery commission is exempt from this chapter
15 for procurement relating to the design and operation of the lottery or
16 purchase of lottery equipment, tickets and related materials. The
17 executive director of the Arizona state lottery commission shall adopt
18 rules substantially equivalent to the policies and procedures in this
19 chapter for procurement relating to the design and operation of the
20 lottery or purchase of lottery equipment, tickets or related materials.
21 All other procurement shall be as prescribed by this chapter.

22 H. The Arizona health care cost containment system administration
23 is exempt from this chapter for provider contracts pursuant to section
24 36-2904, subsection A and contracts for goods and services, including
25 program contractor contracts pursuant to title 36, chapter 29, articles 2
26 and 3 and contracts with regional behavioral health authorities pursuant
27 to title 36, chapter 34. All other procurement, including contracts for
28 the statewide administrator of the program pursuant to section 36-2903,
29 subsection B, shall be as prescribed by this chapter.

30 ~~I. Arizona industries for the blind is exempt from this chapter for~~
31 ~~purchases of finished goods from members of national industries for the~~
32 ~~blind and for purchases of raw materials for use in the manufacture of~~
33 ~~products for sale pursuant to section 41-1972. All other procurement~~
34 ~~shall be as prescribed by this chapter.~~

35 ~~I.~~ I. Arizona correctional industries is exempt from this chapter
36 for purchases of raw materials, components and supplies that are used in
37 the manufacture or production of goods or services for sale entered into
38 pursuant to section 41-1622. All other procurement shall be as prescribed
39 by this chapter.

40 ~~K.~~ J. The state transportation board and the director of the
41 department of transportation are exempt from this chapter other than
42 section 41-2586 for the procurement of construction or reconstruction,
43 including engineering services, of transportation facilities or highway
44 facilities and any other services that are directly related to land
45 titles, appraisals, real property acquisition, relocation, property



1 management or building facility design and construction for highway
2 development and that are required pursuant to title 28, chapter 20.

3 ~~T.~~ K. The Arizona highways magazine is exempt from this chapter
4 for contracts for the production, promotion, distribution and sale of the
5 magazine and related products and for contracts for sole source creative
6 works entered into pursuant to section 28-7314, subsection A, paragraph 5.
7 All other procurement shall be as prescribed by this chapter.

8 ~~M.~~ L. The secretary of state is exempt from this chapter for
9 contracts entered into pursuant to section 41-1012 to publish and sell the
10 administrative code. All other procurement shall be as prescribed by this
11 chapter.

12 ~~N.~~ M. This chapter is not applicable to contracts for professional
13 witnesses if the purpose of such contracts is to provide for professional
14 services or testimony relating to an existing or probable judicial
15 proceeding in which this state is or may become a party or to contract for
16 special investigative services for law enforcement purposes.

17 ~~O.~~ N. The head of any state governmental unit, in relation to any
18 contract exempted by this section from this chapter, has the same
19 authority to adopt rules, procedures or policies as is delegated to the
20 director pursuant to this chapter.

21 ~~P.~~ O. Agreements negotiated by legal counsel representing this
22 state in settlement of litigation or threatened litigation are exempt from
23 this chapter.

24 ~~Q.~~ P. This chapter is not applicable to contracts entered into by
25 the department of economic security:

26 1. With a provider licensed or certified by an agency of this state
27 to provide child day care services.

28 2. With area agencies on aging created pursuant to the older
29 Americans act of 1965 (P.L. 89-73; 79 Stat. 218; 42 United States Code
30 sections 3001 through 3058ff).

31 3. For services pursuant to title 36, chapter 29, article 2.

32 4. With an eligible entity as defined by Public Law 105-285,
33 section 673(1)(A)(i), as amended, for designated community services block
34 grant program monies and any other monies given to the eligible entity
35 that accomplishes the purpose of Public Law 105-285, section 672.

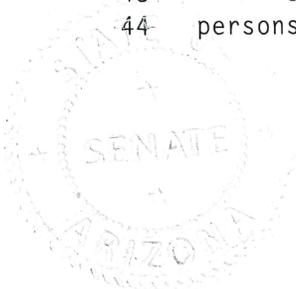
36 ~~R.~~ Q. The Arizona health care cost containment system may not
37 require that persons with whom it contracts follow this chapter for the
38 purposes of subcontracts entered into for the provision of the following:

39 1. Mental health services pursuant to section 36-189, subsection B.

40 2. Services for the seriously mentally ill pursuant to title 36,
41 chapter 5, article 10.

42 3. Drug and alcohol services pursuant to section 36-141.

43 ~~S.~~ R. The department of health services may not require that
44 persons with whom it contracts follow this chapter for the purpose of



1 subcontracts entered into for the provision of domestic violence services
2 pursuant to title 36, chapter 30, article 1.

3 ~~F.~~ S. The department of health services is exempt from this
4 chapter for contracts for services of physicians at the Arizona state
5 hospital.

6 ~~H.~~ T. Contracts for goods and services approved by the board of
7 trustees of the public safety personnel retirement system are exempt from
8 this chapter.

9 ~~V.~~ U. The Arizona department of agriculture is exempt from this
10 chapter with respect to contracts for private labor and equipment to
11 effect cotton or cotton stubble plow-up pursuant to rules adopted under
12 title 3, chapter 2, article 1.

13 ~~W.~~ V. The Arizona state parks board is exempt from this chapter
14 for purchases of guest supplies and items for resale such as food, linens,
15 gift items, sundries, furniture, china, glassware and utensils for the
16 facilities located in the Tonto natural bridge state park.

17 ~~X.~~ W. The Arizona state parks board is exempt from this chapter
18 for the purchase, production, promotion, distribution and sale of
19 publications, souvenirs and sundry items obtained and produced for resale.

20 ~~Y.~~ X. The Arizona state schools for the deaf and the blind are
21 exempt from this chapter for the purchase of textbooks and when purchasing
22 products through a cooperative that is organized and operates in
23 accordance with state law if such products are not available on a
24 statewide contract and are related to the operation of the schools or are
25 products for which special discounts are offered for educational
26 institutions.

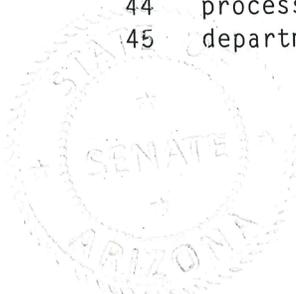
27 ~~Z.~~ Y. Expenditures of monies in the morale, welfare and
28 recreational fund established by section 26-153 are exempt from this
29 chapter.

30 ~~AA.~~ Z. Notwithstanding section 41-2534, the director of the state
31 department of corrections may contract with local medical providers in
32 counties with a population of less than four hundred thousand persons for
33 the following purposes:

34 1. To acquire hospital and professional medical services for
35 inmates who are incarcerated in state department of corrections facilities
36 that are located in those counties.

37 2. To ensure the availability of emergency medical services to
38 inmates in all counties by contracting with the closest medical facility
39 that offers emergency treatment and stabilization.

40 ~~BB.~~ AA. The department of environmental quality is exempt from
41 this chapter for contracting for procurements relating to the water
42 quality assurance revolving fund program established pursuant to title 49,
43 chapter 2, article 5. The department shall engage in a source selection
44 process that is similar to the procedures prescribed by this chapter. The
45 department may contract for remedial actions with a single selection



1 process. The exclusive remedy for disputes or claims relating to
2 contracting pursuant to this subsection is as prescribed by article 9 of
3 this chapter and the rules adopted pursuant to that article. All other
4 procurement by the department shall be as prescribed by this chapter.

5 ~~CC.~~ BB. The motor vehicle division of the department of
6 transportation is exempt from this chapter for third-party authorizations
7 pursuant to title 28, chapter 13, only if all of the following conditions
8 exist:

9 1. The division does not pay any public monies to an authorized
10 third party.

11 2. Exclusivity is not granted to an authorized third party.

12 3. The director has complied with the requirements prescribed in
13 title 28, chapter 13 in selecting an authorized third party.

14 ~~DD.~~ CC. This section does not exempt third-party authorizations
15 pursuant to title 28, chapter 13 from any other applicable law.

16 ~~EE.~~ DD. The state forester is exempt from this chapter for
17 purchases and contracts relating to wildland fire suppression and
18 pre-positioning equipment resources and for other activities related to
19 combating wildland fires and other unplanned risk activities, including
20 fire, flood, earthquake, wind and hazardous material responses. All other
21 procurement by the state forester shall be as prescribed by this chapter.

22 ~~FF.~~ EE. The cotton research and protection council is exempt from
23 this chapter for procurements.

24 ~~GG.~~ FF. Expenditures of monies in the Arizona agricultural
25 protection fund established by section 3-3304 are exempt from this
26 chapter.

27 ~~HH.~~ GG. The Arizona commerce authority is exempt from this
28 chapter, except article 10 for the purpose of cooperative purchases. The
29 authority shall adopt policies, procedures and practices, in consultation
30 with the department of administration, that are similar to and based on
31 the policies and procedures prescribed by this chapter for the purpose of
32 increased public confidence, fair and equitable treatment of all persons
33 engaged in the process and fostering broad competition while accomplishing
34 flexibility to achieve the authority's statutory requirements. The
35 authority shall make its policies, procedures and practices available to
36 the public. The authority may exempt specific expenditures from the
37 policies, procedures and practices.

38 ~~II.~~ HH. The Arizona exposition and state fair board is exempt from
39 this chapter for contracts for professional entertainment.

40 ~~JJ.~~ II. This chapter does not apply to the purchase of water, gas
41 or electric utilities.

42 ~~KK.~~ JJ. This chapter does not apply to professional
43 certifications, professional memberships and conference registrations.



1 ~~tt.~~ KK. The department of gaming is exempt from this chapter for
2 problem gambling treatment services contracts with licensed behavioral
3 health professionals.

4 ~~mm.~~ LL. This chapter does not apply to contracts for credit
5 reporting services.

6 ~~nn.~~ MM. This chapter does not apply to contracts entered into by
7 the department of child safety:

8 1. With a provider of family foster care pursuant to section 8-503.

9 2. With an eligible entity as defined by Public Law 105-285,
10 section 673(1)(A)(i), as amended, for designated community services block
11 grant program monies and any other monies given to the eligible entity
12 that accomplishes the purpose of Public Law 105-285, section 672.

13 ~~oo.~~ NN. This chapter does not apply to contracts entered into by
14 the department of economic security with a financial institution to serve
15 as a program manager and depository under section 46-903.

16 Sec. 8. Repeal

17 Section 42-5009, Arizona Revised Statutes, as amended by Laws 2016,
18 chapter 367, section 1, is repealed.

19 Sec. 9. Section 42-5009, Arizona Revised Statutes, as amended by
20 Laws 2016, chapter 156, section 9, chapter 208, section 6, chapter 361,
21 section 3 and chapter 374, section 1, is amended to read:

22 42-5009. Certificates establishing deductions; liability for
23 making false certificate

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

27 1. Marking the invoice for the transaction to indicate that the
28 gross proceeds of sales or gross income derived from the transaction was
29 deducted from the tax base.

30 2. Obtaining a certificate executed by the purchaser indicating the
31 name and address of the purchaser, the precise nature of the business of
32 the purchaser, the purpose for which the purchase was made, the necessary
33 facts to establish the appropriate deduction and the tax license number of
34 the purchaser to the extent the deduction depends on the purchaser
35 conducting business classified under article 2 of this chapter and a
36 certification that the person executing the certificate is authorized to
37 do so on behalf of the purchaser. The certificate may be disregarded if
38 the seller has reason to believe that the information contained in the
39 certificate is not accurate or complete.

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

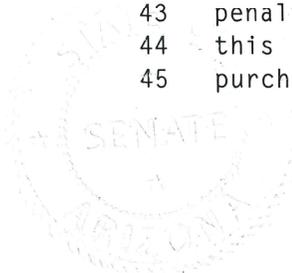
43 C. The department may prescribe a form for the certificate
44 described in subsection A of this section. Under such rules as it may
45 prescribe, the department may also describe transactions with respect to

1 which a person is not entitled to rely solely on the information contained
2 in the certificate provided for in subsection A of this section but must
3 instead obtain such additional information as required by the rules in
4 order to be entitled to the deduction.

5 D. If a seller is entitled to a deduction by complying with
6 subsection A of this section, the department may require the purchaser
7 that caused the execution of the certificate to establish the accuracy and
8 completeness of the information required to be contained in the
9 certificate that would entitle the seller to the deduction. If the
10 purchaser cannot establish the accuracy and completeness of the
11 information, the purchaser is liable in an amount equal to any tax,
12 penalty and interest that the seller would have been required to pay under
13 this article if the seller had not complied with subsection A of this
14 section. Payment of the amount under this subsection exempts the
15 purchaser from liability for any tax imposed under article 4 of this
16 chapter. The amount shall be treated as tax revenues collected from the
17 seller in order to designate the distribution base for purposes of section
18 42-5029.

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

31 F. The department may prescribe a form for a certificate used to
32 establish entitlement to the deductions described in section 42-5061,
33 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3.
34 Under rules the department may prescribe, the department may also require
35 additional information for the seller to be entitled to the deduction. If
36 a seller is entitled to the deductions described in section 42-5061,
37 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3,
38 the department may require the purchaser who executed the certificate to
39 establish the accuracy and completeness of the information contained in
40 the certificate that would entitle the seller to the deduction. If the
41 purchaser cannot establish the accuracy and completeness of the
42 information, the purchaser is liable in an amount equal to any tax,
43 penalty and interest that the seller would have been required to pay under
44 this article. Payment of the amount under this subsection exempts the
45 purchaser from liability for any tax imposed under article 4 of this



1 chapter. The amount shall be treated as tax revenues collected from the
2 seller in order to designate the distribution base for purposes of section
3 42-5029.

4 G. If a seller claims a deduction under section 42-5061,
5 subsection A, paragraph 25 and establishes entitlement to the deduction
6 with an exemption letter that the purchaser received from the department
7 and the exemption letter was based on a contingent event, the department
8 may require the purchaser that received the exemption letter to establish
9 the satisfaction of the contingent event within a reasonable time. If the
10 purchaser cannot establish the satisfaction of the event, the purchaser is
11 liable in an amount equal to any tax, penalty and interest that the seller
12 would have been required to pay under this article if the seller had not
13 been furnished the exemption letter. Payment of the amount under this
14 subsection exempts the purchaser from liability for any tax imposed under
15 article 4 of this chapter. The amount shall be treated as tax revenues
16 collected from the seller in order to designate the distribution base for
17 purposes of section 42-5029. For the purposes of this subsection,
18 "reasonable time" means a time limitation that the department determines
19 and that does not exceed the time limitations pursuant to section 42-1104.

20 H. The department shall prescribe forms for certificates used to
21 establish the satisfaction of the criteria necessary to qualify the sale
22 of a motor vehicle for the deductions described in section 42-5061,
23 subsection A, paragraph 14, paragraph 28, subdivision (a) and paragraph 44
24 and subsection U. Except as provided in subsection J of this section, to
25 establish entitlement to these deductions, a motor vehicle dealer shall
26 retain:

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

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

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

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

41 I. Notwithstanding subsection A, paragraph 2 of this section, if a
42 motor vehicle dealer has established entitlement to a deduction by
43 complying with subsection H of this section, the department may require
44 the purchaser who executed the certificate to establish the accuracy and
45 completeness of the information contained in the certificate that entitled

1 the motor vehicle dealer to the deduction. If the purchaser cannot
2 establish the accuracy and completeness of the information, the purchaser
3 is liable in an amount equal to any tax, penalty and interest that the
4 motor vehicle dealer would have been required to pay under this article
5 and under articles IV and V of the model city tax code as defined in
6 section 42-6051. Payment of the amount under this subsection exempts the
7 purchaser from liability for any tax imposed under article 4 of this
8 chapter and any tax imposed under article VI of the model city tax code as
9 defined in section 42-6051. The amount shall be treated as tax revenues
10 collected from the motor vehicle dealer in order to designate the
11 distribution base for purposes of section 42-5029.

12 J. To establish entitlement to the deduction described in section
13 42-5061, subsection A, paragraph 44, a public consignment auction dealer
14 as defined in section 28-4301 shall submit the valid certificate
15 prescribed by subsection H of this section to the department and retain a
16 copy for its records.

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

20 L. The department shall prescribe a form for a certificate to be
21 used by a person that is not subject to tax under section 42-5075 when the
22 person is engaged by a contractor that is subject to tax under section
23 42-5075 for a project that is taxable under section 42-5075. The
24 certificate permits the person purchasing tangible personal property to be
25 incorporated or fabricated by the person into any real property,
26 structure, project, development or improvement to provide documentation to
27 a retailer that the sale of tangible personal property qualifies for the
28 deduction under section 42-5061, subsection A, paragraph 27,
29 subdivision (b). A prime contractor shall obtain the certificate from the
30 department and shall provide a copy to any such person working on the
31 project. The prime contractor shall obtain a new certificate for each
32 project to which this subsection applies. For the purposes of this
33 subsection, the following apply:

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

38 2. The department shall issue the certificate to the prime
39 contractor on receiving sufficient documentation to establish that the
40 prime contractor meets the requirements of this subsection.

41 3. If any person uses the certificate provided under this
42 subsection to purchase tangible personal property to be used in a project
43 that is not subject to tax under section 42-5075, the person is liable in
44 an amount equal to any tax, penalty and interest that the seller would
45 have been required to pay under this article if the seller had not

1 complied with subsection A of this section. Payment of the amount under
2 this section exempts the person from liability for any tax imposed under
3 article 4 of this chapter. The amount shall be sourced under section
4 42-5040, subsection A, paragraph 2.

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

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

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

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

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

20 O. A vendor who has reason to believe that a certificate prescribed
21 by this section is not accurate or complete will not be relieved of the
22 burden of proving entitlement to the exemption. A vendor that accepts a
23 certificate in good faith will be relieved of the burden of proof and the
24 purchaser may be required to establish the accuracy of the claimed
25 exemption. If the purchaser cannot establish the accuracy and
26 completeness of the information provided in the certificate, the purchaser
27 is liable for an amount equal to the transaction privilege tax, penalty
28 and interest that the vendor would have been required to pay if the vendor
29 had not accepted the certificate.

30 P. Notwithstanding any other law, an online lodging operator, as
31 defined in section 42-5076, shall be entitled to an exclusion from any
32 applicable taxes for any online lodging transaction, as defined in section
33 42-5076, facilitated by an online lodging marketplace, as defined in
34 section 42-5076, for which the online lodging operator has obtained from
35 the online lodging marketplace written notice that the online lodging
36 marketplace is registered with the department to collect applicable taxes
37 for all online lodging transactions facilitated by the online lodging
38 marketplace, and transaction history documenting tax collected by the
39 online lodging marketplace, pursuant to section 42-5005, subsection L.

40 Q. THE DEPARTMENT SHALL PRESCRIBE THE FORM OF A CERTIFICATE TO BE
41 USED BY A PERSON PURCHASING AN AIRCRAFT TO DOCUMENT ELIGIBILITY FOR A
42 DEDUCTION PURSUANT TO SECTION 42-5061, SUBSECTION B, PARAGRAPH 7,
43 SUBDIVISION (a), ITEM (v) OR AN EXEMPTION PURSUANT TO SECTION 42-5159,
44 SUBSECTION B, PARAGRAPH 7, SUBDIVISION (a), ITEM (v), RELATING TO
45 AIRCRAFT. THE PERSON MUST PROVIDE THIS CERTIFICATE AND DOCUMENTATION

1 CONFIRMING THAT THE OPERATIONAL CONTROL OF THE AIRCRAFT HAS BEEN
2 TRANSFERRED OR WILL BE TRANSFERRED IMMEDIATELY AFTER THE PURCHASE TO ONE
3 OR MORE PERSONS DESCRIBED IN SECTION 42-5061, SUBSECTION B, PARAGRAPH 7,
4 SUBDIVISION (a), ITEM (i), (ii), (iii) OR (iv) OR SECTION 42-5159,
5 SUBSECTION B, PARAGRAPH 7, SUBDIVISION (a), ITEM (i), (ii), (iii) OR (iv).
6 OPERATIONAL CONTROL OF THE AIRCRAFT MUST BE TRANSFERRED FOR AT LEAST FIFTY
7 PERCENT OF THE AIRCRAFT'S FLIGHT HOURS. IF SUCH OPERATIONAL CONTROL IS
8 NOT TRANSFERRED FOR AT LEAST FIFTY PERCENT OF THE AIRCRAFT'S FLIGHT HOURS
9 DURING THE RECAPTURE PERIOD, THE OWNER OF THE AIRCRAFT IS LIABLE FOR AN
10 AMOUNT EQUAL TO ANY TAX THAT THE SELLER OR PURCHASER WOULD HAVE BEEN
11 REQUIRED TO PAY UNDER THIS CHAPTER AT THE TIME OF THE SALE, PLUS PENALTY
12 AND INTEREST. THE RECAPTURE PERIOD BEGINS ON THE DATE THAT OPERATIONAL
13 CONTROL OF THE AIRCRAFT IS FIRST TRANSFERRED AND ENDS ON THE LATER OF THE
14 DATE THE AIRCRAFT IS FULLY DEPRECIATED FOR FEDERAL INCOME TAX PURPOSES OR
15 FIVE YEARS AFTER OPERATIONAL CONTROL WAS FIRST TRANSFERRED. FOR THE
16 PURPOSES OF THIS SUBSECTION, OPERATIONAL CONTROL OF THE AIRCRAFT MUST BE
17 WITHIN THE MEANING OF FEDERAL AVIATION ADMINISTRATION OPERATIONS
18 SPECIFICATION A008, OR ITS SUCCESSOR, EXCEPT THAT:

19 1. IF IT IS DETERMINED THAT OPERATIONAL CONTROL HAS BEEN
20 TRANSFERRED FOR LESS THAN FIFTY PERCENT BUT MORE THAN FORTY PERCENT OF THE
21 AIRCRAFT'S FLIGHT HOURS, THE OWNER OF THE AIRCRAFT IS LIABLE FOR AN AMOUNT
22 EQUAL TO ANY TAX THAT THE SELLER OR PURCHASER WOULD HAVE BEEN REQUIRED TO
23 PAY UNDER THIS CHAPTER AT THE TIME OF THE SALE, PLUS INTEREST.

24 2. IF THE AIRCRAFT IS SOLD DURING THE RECAPTURE PERIOD, THE SELLER
25 IS NOT LIABLE FOR THE AMOUNT DETERMINED PURSUANT TO THIS SUBSECTION UNLESS
26 THE OPERATIONAL CONTROL OF THE AIRCRAFT HAD NOT BEEN TRANSFERRED FOR AT
27 LEAST FIFTY PERCENT OF THE AIRCRAFT'S FLIGHT HOURS AT THE TIME OF THE
28 SALE.

29 Sec. 10. Repeal

30 Section 42-5061, Arizona Revised Statutes, as amended by Laws 2016,
31 chapter 367, section 2, is repealed.

32 Sec. 11. Section 42-5061, Arizona Revised Statutes, as amended by
33 Laws 2016, chapter 181, section 1, chapter 361, section 5, chapter 368,
34 section 1 and chapter 369, section 2, is amended to read:

35 42-5061. Retail classification: definitions

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

41 1. Professional or personal service occupations or businesses that
42 involve sales or transfers of tangible personal property only as
43 inconsequential elements.

44 2. Services rendered in addition to selling tangible personal
45 property at retail.

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

1 food and drink without monetary charge to its employees for their own
2 consumption on the premises during the employees' hours of employment.

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

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

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

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

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

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

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

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

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

1 23. Tangible personal property sold to a person engaged in the
2 business of leasing or renting such property under the personal property
3 rental classification if such property is to be leased or rented by such
4 person.

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

8 25. Tangible personal property sold to:

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

10 (b) A qualifying health care organization as defined in section
11 42-5001 if the tangible personal property is used by the organization
12 solely to provide health and medical related educational and charitable
13 services.

14 (c) A qualifying health care organization as defined in section
15 42-5001 if the organization is dedicated to providing educational,
16 therapeutic, rehabilitative and family medical education training for
17 blind and visually impaired children and children with multiple
18 disabilities from the time of birth to age twenty-one.

19 (d) A qualifying community health center as defined in section
20 42-5001.

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

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

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

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

38 26. Magazines or other periodicals or other publications by this
39 state to encourage tourist travel.

40 27. Tangible personal property sold to:

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

- 1 (i) Incorporated or fabricated by the person into any real
2 property, structure, project, development or improvement as part of the
3 business.
- 4 (ii) Incorporated or fabricated by the person into any project
5 described in section 42-5075, subsection O.
- 6 (iii) Used in environmental response or remediation activities
7 under section 42-5075, subsection B, paragraph 6.
- 8 (b) A person that is not subject to tax under section 42-5075 and
9 that has been provided a copy of a certificate under section 42-5009,
10 subsection L, if the property so sold is incorporated or fabricated by the
11 person into the real property, structure, project, development or
12 improvement described in the certificate.
- 13 28. The sale of a motor vehicle to:
- 14 (a) A nonresident of this state if the purchaser's state of
15 residence does not allow a corresponding use tax exemption to the tax
16 imposed by article 1 of this chapter and if the nonresident has secured a
17 special ninety day nonresident registration permit for the vehicle as
18 prescribed by sections 28-2154 and 28-2154.01.
- 19 (b) An enrolled member of an Indian tribe who resides on the Indian
20 reservation established for that tribe.
- 21 29. Tangible personal property purchased in this state by a
22 nonprofit charitable organization that has qualified under section
23 501(c)(3) of the United States internal revenue code and that engages in
24 and uses such property exclusively in programs for persons with mental or
25 physical disabilities if the programs are exclusively for training, job
26 placement, rehabilitation or testing.
- 27 30. Sales of tangible personal property by a nonprofit organization
28 that is exempt from taxation under section 501(c)(3), 501(c)(4) or
29 501(c)(6) of the internal revenue code if the organization is associated
30 with a major league baseball team or a national touring professional
31 golfing association and no part of the organization's net earnings inures
32 to the benefit of any private shareholder or individual.
- 33 31. Sales of commodities, as defined by title 7 United States Code
34 section 2, that are consigned for resale in a warehouse in this state in
35 or from which the commodity is deliverable on a contract for future
36 delivery subject to the rules of a commodity market regulated by the
37 United States commodity futures trading commission.
- 38 32. Sales of tangible personal property by a nonprofit organization
39 that is exempt from taxation under section 501(c)(3), 501(c)(4),
40 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code if the
41 organization sponsors or operates a rodeo featuring primarily farm and
42 ranch animals and no part of the organization's net earnings inures to the
43 benefit of any private shareholder or individual.
- 44 33. Sales of seeds, seedlings, roots, bulbs, cuttings and other
45 propagative material to persons who use those items to commercially

1 produce agricultural, horticultural, viticultural or floricultural crops
2 in this state.

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

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

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

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

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

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

43 (a) "Personal property liquidation transaction" means a sale of
44 personal property made by a personal property liquidator acting solely on
45 behalf of the owner of the personal property sold at the dwelling of the

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

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

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

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

15 42. Sales of:

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

18 (b) Livestock and poultry feed, salts, vitamins and other additives
19 for livestock or poultry consumption that are sold to persons for use or
20 consumption by their own livestock or poultry, for use or consumption in
21 the businesses of farming, ranching and producing or feeding livestock,
22 poultry, or livestock or poultry products or for use or consumption in
23 noncommercial boarding of livestock. For the purposes of this paragraph,
24 "poultry" includes ratites.

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

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

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

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

44 47. Sales of materials that are purchased by or for publicly funded
45 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
7 serving the food and beverages, if those items are to be provided without
8 additional charge to passengers for consumption in flight. For the
9 purposes of this paragraph, "commercial airline" means a person holding a
10 federal certificate of public convenience and necessity or foreign air
11 carrier permit for air transportation to transport persons, property or
12 United States mail in intrastate, interstate or foreign commerce.

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

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

21 51. Sales of tangible personal property to be incorporated or
22 installed as part of environmental response or remediation activities
23 under section 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
26 revenue code if the organization produces, organizes or promotes cultural
27 or civic related festivals or events and no part of the organization's net
28 earnings inures to the benefit of any private shareholder or individual.

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

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

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

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

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

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

9 57. Computer data center equipment sold to the owner, operator or
10 qualified colocation tenant of a computer data center that is certified by
11 the Arizona commerce authority under section 41-1519 or an authorized
12 agent of the owner, operator or qualified colocation tenant during the
13 qualification period for use in the qualified computer data center. For
14 the purposes of this paragraph, "computer data center", "computer data
15 center equipment", "qualification period" and "qualified colocation
16 tenant" have the same meanings prescribed in section 41-1519.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

37 (a) A person:

38 (i) Holding, OR EXEMPTED BY FEDERAL LAW FROM OBTAINING, a federal
39 certificate of public convenience and necessity, ~~a supplemental air~~
40 ~~carrier certificate~~ FOR USE AS, IN CONJUNCTION WITH OR BECOMING PART OF AN
41 AIRCRAFT TO BE USED TO TRANSPORT PERSONS FOR HIRE IN INTRASTATE,
42 INTERSTATE OR FOREIGN COMMERCE.

43 (ii) THAT IS CERTIFICATED OR LICENSED under federal aviation
44 regulations (14 Code of Federal Regulations part 121 OR 135) OR AS A
45 SCHEDULED OR UNSCHEDULED CARRIER OF PERSONS FOR HIRE FOR USE AS OR IN

1 CONJUNCTION WITH OR BECOMING PART OF AN AIRCRAFT TO BE USED TO TRANSPORT
2 PERSONS FOR HIRE IN INTRASTATE, INTERSTATE OR FOREIGN COMMERCE.

3 (iii) HOLDING a foreign air carrier permit for air transportation
4 for use as or in conjunction with or becoming a part of aircraft to be
5 used to transport persons, property or United States mail in intrastate,
6 interstate or foreign commerce.

7 (iv) OPERATING AN AIRCRAFT TO TRANSPORT PERSONS IN ANY MANNER FOR
8 COMPENSATION OR HIRE INCLUDING AS AN AIR CARRIER, A FOREIGN AIR CARRIER OR
9 A COMMERCIAL OPERATOR OR UNDER A RESTRICTED CATEGORY, WITHIN THE MEANING
10 OF 14 CODE OF FEDERAL REGULATIONS, REGARDLESS OF WHETHER THE OPERATION OR
11 AIRCRAFT IS REGULATED OR CERTIFIED UNDER PART 91, 119, 121, 133, 135, 136
12 OR 137, OR ANOTHER PART OF 14 CODE OF FEDERAL REGULATIONS.

13 (v) THAT WILL LEASE OR OTHERWISE TRANSFER OPERATIONAL CONTROL,
14 WITHIN THE MEANING OF FEDERAL AVIATION ADMINISTRATION OPERATIONS
15 SPECIFICATION A008, OR ITS SUCCESSOR, OF THE AIRCRAFT, INSTRUMENTS OR
16 ACCESSORIES TO ONE OR MORE PERSONS DESCRIBED IN ITEM (i), (ii), (iii) OR
17 (iv) OF THIS SUBDIVISION, SUBJECT TO SECTION 42-5009, SUBSECTION Q.

18 (b) Any foreign government.

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

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

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

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

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

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

44 13. New machinery and equipment consisting of agricultural
45 aircraft, tractors, tractor-drawn implements, self-powered implements,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

33 19. Machinery and equipment that are sold to a person engaged in
34 the commercial production of livestock, livestock products or
35 agricultural, horticultural, viticultural or floricultural crops or
36 products in this state, including a person representing or working on
37 behalf of such a person in a manner described in section 42-5075,
38 subsection 0, if the machinery and equipment are used directly and
39 primarily to prevent, monitor, control or reduce air, water or land
40 pollution.

41 20. Machinery or equipment that enables a television station to
42 originate and broadcast or to receive and broadcast digital television
43 signals and that was purchased to facilitate compliance with the
44 telecommunications act of 1996 (P.L. 104-104; 110 Stat. 56; 47 United
45 States Code section 336) and the federal communications commission order

1 issued April 21, 1997 (47 Code of Federal Regulations part 73). This
2 paragraph does not exempt any of the following:

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

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

8 (c) Any machinery or equipment purchased after the television
9 station has ceased analog broadcasting, or purchased after November 1,
10 2009, whichever occurs first.

11 21. Qualifying equipment that is purchased from and after June 30,
12 2004 through June 30, 2024 by a qualified business under section 41-1516
13 for harvesting or processing qualifying forest products removed from
14 qualifying projects as defined in section 41-1516. To qualify for this
15 deduction, the qualified business at the time of purchase must present its
16 certification approved by the department.

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

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

23 2. Janitorial equipment and hand tools.

24 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

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

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

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

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

25 1. Agricultural producers who are owners, proprietors or tenants of
26 agricultural lands, orchards, farms or gardens where agricultural products
27 are grown, raised or prepared for market and who are marketing their own
28 agricultural products.

29 2. Businesses classified under the:
30 (a) Transporting classification.
31 (b) Utilities classification.
32 (c) Telecommunications classification.
33 (d) Pipeline classification.
34 (e) Private carline classification.
35 (f) Publication classification.
36 (g) Job printing classification.
37 (h) Prime contracting classification.
38 (i) Restaurant classification.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

20 1. The transfer of title or possession of the coal is for the
21 purpose of refining the coal.

22 2. The title or possession of the coal is transferred back to the
23 owner or operator of the power plant after completion of the coal refining
24 process. For the purposes of this paragraph, "coal refining process"
25 means the application of a coal additive system that aids in the reduction
26 of power plant emissions during the combustion of coal and the treatment
27 of flue gas.

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

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

- 1 1. On the premises of a multipurpose facility that is owned, leased
2 or operated by the tourism and sports authority pursuant to title 5,
3 chapter 8.
- 4 2. At professional football contests that are held in a stadium
5 located on the campus of an institution under the jurisdiction of the
6 Arizona board of regents.
- 7 U. In computing the tax base for the sale of a motor vehicle to a
8 nonresident of this state, if the purchaser's state of residence allows a
9 corresponding use tax exemption to the tax imposed by article 1 of this
10 chapter and the rate of the tax in the purchaser's state of residence is
11 lower than the rate prescribed in article 1 of this chapter or if the
12 purchaser's state of residence does not impose an excise tax, and the
13 nonresident has secured a special ninety day nonresident registration
14 permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01,
15 there shall be deducted from the tax base a portion of the gross proceeds
16 or gross income from the sale so that the amount of transaction privilege
17 tax that is paid in this state is equal to the excise tax that is imposed
18 by the purchaser's state of residence on the nonexempt sale or use of the
19 motor vehicle.
- 20 V. For the purposes of this section:
- 21 1. "Agricultural aircraft" means an aircraft that is built for
22 agricultural use for the aerial application of pesticides or fertilizer or
23 for aerial seeding.
- 24 2. "Aircraft" includes:
- 25 (a) An airplane flight simulator that is approved by the federal
26 aviation administration for use as a phase II or higher flight simulator
27 under appendix H, 14 Code of Federal Regulations part 121.
- 28 (b) Tangible personal property that is permanently affixed or
29 attached as a component part of an aircraft that is owned or operated by a
30 certificated or licensed carrier of persons or property.
- 31 3. "Other accessories and related equipment" includes aircraft
32 accessories and equipment such as ground service equipment that physically
33 contact aircraft at some point during the overall carrier operation.
- 34 4. "Selling at retail" means a sale for any purpose other than for
35 resale in the regular course of business in the form of tangible personal
36 property, but transfer of possession, lease and rental as used in the
37 definition of sale mean only such transactions as are found on
38 investigation to be in lieu of sales as defined without the words lease or
39 rental.
- 40 W. For the purposes of subsection I of this section:
- 41 1. "Assembler" means a person who unites or combines products,
42 wares or articles of manufacture so as to produce a change in form or
43 substance without changing or altering the component parts.
- 44 2. "Manufacturer" means a person who is principally engaged in the
45 fabrication, production or manufacture of products, wares or articles for

1 use from raw or prepared materials, imparting to those materials new
2 forms, qualities, properties and combinations.

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

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

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

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

24 Sec. 12. Repeal

25 Section 42-5159, Arizona Revised Statutes, as amended by Laws 2016,
26 chapter 367, section 3, is repealed.

27 Sec. 13. Section 42-5159, Arizona Revised Statutes, as amended by
28 Laws 2016, chapter 156, section 13, chapter 181, section 2, chapter 357,
29 section 2, chapter 359, section 2, chapter 361, section 6, chapter 369,
30 section 3 and chapter 374, section 3, is amended to read:

31 42-5159. Exemptions

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

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

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

44 3. Tangible personal property, the storage, use or consumption of
45 which the constitution or laws of the United States prohibit this state

1 from taxing or to the extent that the rate or imposition of tax is
2 unconstitutional under the laws of the United States.

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

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

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

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

26 8. Purchases of:

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

29 (b) Livestock and poultry feed, supplies, salts, vitamins and other
30 additives sold to persons for use or consumption in the businesses of
31 farming, ranching and producing or feeding livestock or poultry or for use
32 or consumption in noncommercial boarding of livestock. For the purposes
33 of this paragraph, "poultry" includes ratites.

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

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

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

1 12. Materials that are purchased by or for publicly funded
2 libraries including school district libraries, charter school libraries,
3 community college libraries, state university libraries or federal, state,
4 county or municipal libraries for use by the public as follows:
5 (a) Printed or photographic materials, beginning August 7, 1985.
6 (b) Electronic or digital media materials, beginning July 17, 1994.
7 13. Tangible personal property purchased by:
8 (a) A hospital organized and operated exclusively for charitable
9 purposes, no part of the net earnings of which inures to the benefit of
10 any private shareholder or individual.
11 (b) A hospital operated by this state or a political subdivision of
12 this state.
13 (c) A licensed nursing care institution or a licensed residential
14 care institution or a residential care facility operated in conjunction
15 with a licensed nursing care institution or a licensed kidney dialysis
16 center, which provides medical services, nursing services or health
17 related services and is not used or held for profit.
18 (d) A qualifying health care organization, as defined in section
19 42-5001, if the tangible personal property is used by the organization
20 solely to provide health and medical related educational and charitable
21 services.
22 (e) A qualifying health care organization as defined in section
23 42-5001 if the organization is dedicated to providing educational,
24 therapeutic, rehabilitative and family medical education training for
25 blind and visually impaired children and children with multiple
26 disabilities from the time of birth to age twenty-one.
27 (f) A nonprofit charitable organization that has qualified under
28 section 501(c)(3) of the United States internal revenue code and that
29 engages in and uses such property exclusively in programs for persons with
30 mental or physical disabilities if the programs are exclusively for
31 training, job placement, rehabilitation or testing.
32 (g) A person that is subject to tax under this chapter by reason of
33 being engaged in business classified under section 42-5075, or a
34 subcontractor working under the control of a person that is engaged in
35 business classified under section 42-5075, if the tangible personal
36 property is any of the following:
37 (i) Incorporated or fabricated by the person into a structure,
38 project, development or improvement in fulfillment of a contract.
39 (ii) Incorporated or fabricated by the person into any project
40 described in section 42-5075, subsection 0.
41 (iii) Used in environmental response or remediation activities
42 under section 42-5075, subsection B, paragraph 6.
43 (h) A person that is not subject to tax under section 42-5075 and
44 that has been provided a copy of a certificate described in section
45 42-5009, subsection L, if the property purchased is incorporated or

1 fabricated by the person into the real property, structure, project,
2 development or improvement described in the certificate.

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

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

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

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

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

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

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

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

37 15. Tangible personal property sold by:

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

41 (b) A nonprofit organization that is exempt from taxation under
42 section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if
43 the organization is associated with a major league baseball team or a
44 national touring professional golfing association and no part of the

1 organization's net earnings inures to the benefit of any private
2 shareholder or individual.

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

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

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

17 18. Prescription eyeglasses and contact lenses.

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

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

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

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

29 23. Items purchased with United States department of agriculture
30 food stamp coupons issued under the food stamp act of 1977 (P.L. 95-113;
31 91 Stat. 958) or food instruments issued under section 17 of the child
32 nutrition act (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42
33 United States Code section 1786).

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

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

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

- 1 27. Lottery tickets or shares purchased pursuant to title 5,
2 chapter 5.1, article 1.
- 3 28. Textbooks, sold by a bookstore, that are required by any state
4 university or community college.
- 5 29. Magazines, other periodicals or other publications produced by
6 this state to encourage tourist travel.
- 7 30. Paper machine clothing, such as forming fabrics and dryer
8 felts, purchased by a paper manufacturer and directly used or consumed in
9 paper manufacturing.
- 10 31. Coal, petroleum, coke, natural gas, virgin fuel oil and
11 electricity purchased by a qualified environmental technology
12 manufacturer, producer or processor as defined in section 41-1514.02 and
13 directly used or consumed in the generation or provision of on-site power
14 or energy solely for environmental technology manufacturing, producing or
15 processing or environmental protection. This paragraph shall apply for
16 twenty full consecutive calendar or fiscal years from the date the first
17 paper manufacturing machine is placed in service. In the case of an
18 environmental technology manufacturer, producer or processor who does not
19 manufacture paper, the time period shall begin with the date the first
20 manufacturing, processing or production equipment is placed in service.
- 21 32. Motor vehicles that are removed from inventory by a motor
22 vehicle dealer as defined in section 28-4301 and that are provided to:
- 23 (a) Charitable or educational institutions that are exempt from
24 taxation under section 501(c)(3) of the internal revenue code.
- 25 (b) Public educational institutions.
- 26 (c) State universities or affiliated organizations of a state
27 university if no part of the organization's net earnings inures to the
28 benefit of any private shareholder or individual.
- 29 33. Natural gas or liquefied petroleum gas used to propel a motor
30 vehicle.
- 31 34. Machinery, equipment, technology or related supplies that are
32 only useful to assist a person with a physical disability as defined in
33 section 46-191 or a person who has a developmental disability as defined
34 in section 36-551 or has a head injury as defined in section 41-3201 to be
35 more independent and functional.
- 36 35. Liquid, solid or gaseous chemicals used in manufacturing,
37 processing, fabricating, mining, refining, metallurgical operations,
38 research and development and, beginning on January 1, 1999, printing, if
39 using or consuming the chemicals, alone or as part of an integrated system
40 of chemicals, involves direct contact with the materials from which the
41 product is produced for the purpose of causing or permitting a chemical or
42 physical change to occur in the materials as part of the production
43 process. This paragraph does not include chemicals that are used or
44 consumed in activities such as packaging, storage or transportation but
45 does not affect any exemption for such chemicals that is otherwise

1 provided by this section. For the purposes of this paragraph, "printing"
2 means a commercial printing operation and includes job printing,
3 engraving, embossing, copying and bookbinding.

4 36. Food, drink and condiment purchased for consumption within the
5 premises of any prison, jail or other institution under the jurisdiction
6 of the state department of corrections, the department of public safety,
7 the department of juvenile corrections or a county sheriff.

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

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

16 39. Overhead materials or other tangible personal property that is
17 used in performing a contract between the United States government and a
18 manufacturer, modifier, assembler or repairer, including property used in
19 performing a subcontract with a government contractor who is a
20 manufacturer, modifier, assembler or repairer, to which title passes to
21 the government under the terms of the contract or subcontract. For the
22 purposes of this paragraph:

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

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

40 40. Through December 31, 1994, tangible personal property sold
41 pursuant to a personal property liquidation transaction, as defined in
42 section 42-5061. From and after December 31, 1994, tangible personal
43 property sold pursuant to a personal property liquidation transaction, as
44 defined in section 42-5061, if the gross proceeds of the sales were

1 included in the measure of the tax imposed by article 1 of this chapter or
2 if the personal property liquidation was a casual activity or transaction.

3 41. Wireless telecommunications equipment that is held for sale or
4 transfer to a customer as an inducement to enter into or continue a
5 contract for telecommunications services that are taxable under section
6 42-5064.

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

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

18 44. Alternative fuel vehicles if the vehicle was manufactured as a
19 diesel fuel vehicle and converted to operate on alternative fuel and
20 equipment that is installed in a conventional diesel fuel motor vehicle to
21 convert the vehicle to operate on an alternative fuel, as defined in
22 section 1-215.

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

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

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

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

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

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

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

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

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

7 (b) "Curriculum design or enhancement" means planning, implementing
8 or reporting on courses of study, lessons, assignments or other learning
9 activities.

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

14 52. Repair parts installed in equipment used directly by a
15 qualified business under section 41-1516 in harvesting, processing or
16 transporting qualifying forest products removed from qualifying projects
17 as defined in section 41-1516.

18 53. Renewable energy credits or any other unit created to track
19 energy derived from renewable energy resources. For the purposes of this
20 paragraph, "renewable energy credit" means a unit created administratively
21 by the corporation commission or governing body of a public power entity
22 to track kilowatt hours of electricity derived from a renewable energy
23 resource or the kilowatt hour equivalent of conventional energy resources
24 displaced by distributed renewable energy resources.

25 54. Computer data center equipment sold to the owner, operator or
26 qualified colocation tenant of a computer data center that is certified by
27 the Arizona commerce authority under section 41-1519 or an authorized
28 agent of the owner, operator or qualified colocation tenant during the
29 qualification period for use in the qualified computer data center. For
30 the purposes of this paragraph, "computer data center", "computer data
31 center equipment", "qualification period" and "qualified colocation
32 tenant" have the same meanings prescribed in section 41-1519.

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

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

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

44 56. Tangible personal property incorporated or fabricated into a
45 project described in section 42-5075, subsection 0, that is located within

1 the exterior boundaries of an Indian reservation for which the owner, as
2 defined in section 42-5075, of the project is an Indian tribe or an
3 affiliated Indian. For the purposes of this paragraph:

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

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

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

16 57. Cash equivalents, precious metal bullion and monetized bullion
17 purchased by the ultimate consumer, but coins or other forms of money for
18 manufacture into jewelry or works of art are subject to tax, and tangible
19 personal property that is purchased through the redemption of any cash
20 equivalent by the holder as a means of payment for goods that are subject
21 to tax under this article is subject to tax. For the purposes of this
22 paragraph:

23 (a) "Cash equivalents" means items, whether or not negotiable, that
24 are sold to one or more persons, through which a value denominated in
25 money is purchased in advance and that may be redeemed in full or in part
26 for tangible personal property, intangibles or services. Cash equivalents
27 include gift cards, stored value cards, gift certificates, vouchers,
28 traveler's checks, money orders or other tangible instruments or orders.
29 Cash equivalents do not include either of the following:

30 (i) Items that are sold to one or more persons and through which a
31 value is not denominated in money.

32 (ii) Prepaid calling cards for telecommunications services.

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

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

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

43 1. Machinery, or equipment, used directly in manufacturing,
44 processing, fabricating, job printing, refining or metallurgical
45 operations. The terms "manufacturing", "processing", "fabricating", "job

1 printing", "refining" and "metallurgical" as used in this paragraph refer
2 to and include those operations commonly understood within their ordinary
3 meaning. "Metallurgical operations" includes leaching, milling,
4 precipitating, smelting and refining.

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

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

19 4. Machinery, equipment or transmission lines used directly in
20 producing or transmitting electrical power, but not including
21 distribution. Transformers and control equipment used at transmission
22 substation sites constitute equipment used in producing or transmitting
23 electrical power.

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

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

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

34 (a) A person:

35 (i) Holding, OR EXEMPTED BY FEDERAL LAW FROM OBTAINING, a federal
36 certificate of public convenience and necessity, ~~a supplemental air~~
37 ~~carrier certificate~~ FOR USE AS, IN CONJUNCTION WITH OR BECOMING PART OF AN
38 AIRCRAFT TO BE USED TO TRANSPORT PERSONS FOR HIRE IN INTRASTATE,
39 INTERSTATE OR FOREIGN COMMERCE.

40 (ii) THAT IS CERTIFICATED OR LICENSED under federal aviation
41 regulations (14 Code of Federal Regulations part 121 OR 135) ~~or~~ AS A
42 SCHEDULED OR UNSCHEDULED CARRIER OF PERSONS FOR HIRE FOR USE AS OR IN
43 CONJUNCTION WITH OR BECOMING PART OF AN AIRCRAFT TO BE USED TO TRANSPORT
44 PERSONS FOR HIRE IN INTRASTATE, INTERSTATE OR FOREIGN COMMERCE.

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

5 (iv) OPERATING AN AIRCRAFT TO TRANSPORT PERSONS IN ANY MANNER FOR
6 COMPENSATION OR HIRE INCLUDING AS AN AIR CARRIER, A FOREIGN AIR CARRIER OR
7 A COMMERCIAL OPERATOR OR UNDER A RESTRICTED CATEGORY, WITHIN THE MEANING
8 OF 14 CODE OF FEDERAL REGULATIONS, REGARDLESS OF WHETHER THE OPERATION OR
9 AIRCRAFT IS REGULATED OR CERTIFIED UNDER PART 91, 119, 121, 133, 135, 136
10 OR 137, OR ANOTHER PART OF 14 CODE OF FEDERAL REGULATIONS.

11 (v) THAT WILL LEASE OR OTHERWISE TRANSFER OPERATIONAL CONTROL,
12 WITHIN THE MEANING OF FEDERAL AVIATION ADMINISTRATION OPERATIONS
13 SPECIFICATION A008, OR ITS SUCCESSOR, OF THE AIRCRAFT, INSTRUMENTS OR
14 ACCESSORIES TO ONE OR MORE PERSONS DESCRIBED IN ITEM (i), (ii), (iii) OR
15 (iv) OF THIS SUBDIVISION, SUBJECT TO SECTION 42-5009, SUBSECTION Q.

16 (b) Any foreign government. ~~or sold to~~

17 (c) Persons who are not residents of this state and who will not
18 use such property in this state other than in removing such property from
19 this state. THIS SUBDIVISION ALSO APPLIES TO CORPORATIONS THAT ARE NOT
20 INCORPORATED IN THIS STATE, REGARDLESS OF MAINTAINING A PLACE OF BUSINESS
21 IN THIS STATE, IF THE PRINCIPAL CORPORATE OFFICE IS LOCATED OUTSIDE THIS
22 STATE AND THE PROPERTY WILL NOT BE USED IN THIS STATE OTHER THAN IN
23 REMOVING THE PROPERTY FROM THIS STATE.

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

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

30 10. Machinery or equipment used directly to drill for oil or gas or
31 used directly in the process of extracting oil or gas from the earth for
32 commercial purposes.

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

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

42 13. New machinery and equipment consisting of agricultural
43 aircraft, tractors, tractor-drawn implements, self-powered implements,
44 machinery and equipment necessary for extracting milk, and machinery and
45 equipment necessary for cooling milk and livestock, and drip irrigation

1 lines not already exempt under paragraph 6 of this subsection and that are
2 used for commercial production of agricultural, horticultural,
3 viticultural and floricultural crops and products in this state. For the
4 purposes of this paragraph:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

31 19. Machinery and equipment that are used in the commercial
32 production of livestock, livestock products or agricultural,
33 horticultural, viticultural or floricultural crops or products in this
34 state, including production by a person representing or working on behalf
35 of such a person in a manner described in section 42-5075, subsection 0,
36 if the machinery and equipment are used directly and primarily to prevent,
37 monitor, control or reduce air, water or land pollution.

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

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

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

6 (c) Any machinery or equipment purchased after the television
7 station has ceased analog broadcasting, or purchased after November 1,
8 2009, whichever occurs first.

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

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

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

21 2. Janitorial equipment and hand tools.

22 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

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

43 2. Revenues received from providing electricity, including
44 ancillary services, electric distribution services, electric generation
45 services, electric transmission services and other services related to

1 providing electricity with respect to which the transaction privilege tax
2 imposed under section 42-5063 has been paid.

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

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

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

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

20 G. The tax levied by this article does not apply to the purchase
21 price of electricity, natural gas or liquefied petroleum gas by:

22 1. A qualified manufacturing or smelting business. A utility that
23 claims this deduction shall report each month, on a form prescribed by the
24 department, the name and address of each qualified manufacturing or
25 smelting business for which this deduction is taken. This paragraph
26 applies to gas transportation services. For the purposes of this
27 paragraph:

28 (a) "Gas transportation services" means the services of
29 transporting natural gas to a natural gas customer or to a natural gas
30 distribution facility if the natural gas was purchased from a supplier
31 other than the utility.

32 (b) "Manufacturing" means the performance as a business of an
33 integrated series of operations that places tangible personal property in
34 a form, composition or character different from that in which it was
35 acquired and transforms it into a different product with a distinctive
36 name, character or use. Manufacturing does not include job printing,
37 publishing, packaging, mining, generating electricity or operating a
38 restaurant.

39 (c) "Qualified manufacturing or smelting business" means one of the
40 following:

41 (i) A business that manufactures or smelts tangible products in
42 this state, of which at least fifty-one percent of the manufactured or
43 smelted products will be exported out of state for incorporation into
44 another product or sold out of state for a final sale.

1 (ii) A business that derives at least fifty-one percent of its
2 gross income from the sale of manufactured or smelted products
3 manufactured or smelted by the business.

4 (iii) A business that uses at least fifty-one percent of its square
5 footage in this state for manufacturing or smelting and business
6 activities directly related to manufacturing or smelting.

7 (iv) A business that employs at least fifty-one percent of its
8 workforce in this state in manufacturing or smelting and business
9 activities directly related to manufacturing or smelting.

10 (v) A business that uses at least fifty-one percent of the value of
11 its capitalized assets in this state, as reflected on the business's books
12 and records, for manufacturing or smelting and business activities
13 directly related to manufacturing or smelting.

14 (d) "Smelting" means to melt or fuse a metalliferous mineral, often
15 with an accompanying chemical change, usually to separate the metal.

16 2. A business that operates an international operations center in
17 this state and that is certified by the Arizona commerce authority
18 pursuant to section 41-1520.

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

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

23 2. "Aircraft" includes:

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

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

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

33 I. For the purposes of subsection D of this section, "ancillary
34 services", "electric distribution service", "electric generation service",
35 "electric transmission service" and "other services" have the same
36 meanings prescribed in section 42-5063.

37 Sec. 14. Repeal

38 Section 49-1201, Arizona Revised Statutes, as amended by Laws 2016,
39 chapter 372, section 64, is repealed.

40 Sec. 15. Section 49-1201, Arizona Revised Statutes, as amended by
41 Laws 2014, chapter 212, section 2, is amended to read:

42 49-1201. Definitions

43 In this chapter, unless the context otherwise requires:

44 1. "Authority" means the water infrastructure finance authority of
45 Arizona.

- 1 2. "Board" means the board of directors of the ARIZONA FINANCE
2 authority ESTABLISHED BY TITLE 41, CHAPTER 53, ARTICLE 2.
- 3 3. "Bonds of a political subdivision" means bonds issued by a
4 political subdivision as authorized by law.
- 5 4. "Clean water act" means the federal water pollution control act
6 amendments of 1972 (P.L. 92-500; 86 Stat. 816), as amended by the water
7 quality act of 1987 (P.L. 100-4; 101 Stat. 7).
- 8 ~~5. "Committee" means the water supply development fund committee
9 established by section 49-1202, subsection B.~~
- 10 ~~6.~~ 5. "Drinking water facility" means a community water system or
11 a nonprofit noncommunity water system as defined in the safe drinking
12 water act OF 1974 (P.L. 93-523; 88 Stat. ~~1660~~ 1661; P.L. 95-190; 91 Stat.
13 1393; P.L. 104-182; 110 Stat. 1613) that is located in this state. For
14 purposes of this chapter, drinking water facility does not include water
15 systems owned by federal agencies.
- 16 ~~7.~~ 6. "Financial assistance loan repayment agreement" means an
17 agreement to repay a loan provided to design, construct, acquire,
18 rehabilitate or improve water or wastewater infrastructure, related
19 property and appurtenances or a loan provided to finance a water supply
20 development project.
- 21 ~~8.~~ 7. "Indian tribe" means any Indian tribe, band, group or
22 community that is recognized by the United States secretary of the
23 interior and that exercises governmental authority within the limits of
24 any Indian reservation under the jurisdiction of the United States
25 government, notwithstanding the issuance of any patent and including
26 rights-of-way running through the reservation.
- 27 ~~9.~~ 8. "Nonpoint source project" means a project designed to
28 implement a certified water quality management plan.
- 29 ~~10.~~ 9. "Political subdivision" means a county, city, town or
30 special taxing district authorized by law to construct wastewater
31 treatment facilities, drinking water facilities or nonpoint source
32 projects.
- 33 ~~11.~~ 10. "Safe drinking water act" means the federal safe drinking
34 water act OF 1974 (P.L. 93-523; 88 Stat. ~~1660~~ 1661; P.L. 95-190; 91 Stat.
35 1393; P.L. 104-182; 110 Stat. 1613), as amended in 1996.
- 36 ~~12.~~ 11. "Technical assistance loan repayment agreement" means
37 either of the following:
- 38 (a) An agreement to repay a loan provided to develop, plan and
39 design water or wastewater infrastructure, related property and
40 appurtenances. The agreement shall be for a term of not more than three
41 years and the maximum amount that may be borrowed is limited to not more
42 than five hundred thousand dollars.
- 43 (b) An agreement to repay a loan provided to develop, plan or
44 design a water supply development project.

1 ~~13.~~ 12. "Wastewater treatment facility" means a treatment works, as
2 defined in section 212 of the clean water act, that is located in this
3 state and that is designed to hold, cleanse or purify or to prevent the
4 discharge of untreated or inadequately treated sewage or other polluted
5 waters for purposes of complying with the clean water act.

6 ~~14.~~ 13. "Water provider" means any of the following:

7 (a) A municipal water delivery system as defined in section
8 42-5301, paragraphs 1 and 3.

9 (b) A municipal water delivery system as defined in section
10 42-5301, paragraph 2, which has entered into a partnership with a city,
11 town or county for a water supply augmentation plan.

12 (c) A county water augmentation authority established under
13 title 45, chapter 11.

14 (d) A county water authority established under title 45,
15 chapter 13.

16 (e) An Indian tribe.

17 (f) A community facilities district as established by title 48,
18 chapter 4.

19 (g) For purposes of funding from the water supply development
20 revolving fund pursuant to article 3 of this chapter only, a county that
21 enters into an intergovernmental agreement or other formal written
22 agreement with a city, town or other water provider regarding a water
23 supply development project.

24 ~~15.~~ 14. "Water supply development" means either of the following:

25 (a) The acquisition of water or rights to or contracts for water to
26 augment the water supply of a water provider, including any environmental
27 or other reviews, permits or plans reasonably necessary for that
28 acquisition.

29 (b) The development of facilities, including any environmental or
30 other reviews, permits or plans reasonably necessary for those facilities,
31 for any of the following purposes:

32 (i) Conveyance, storage or recovery of water.

33 (ii) Reclamation and reuse of water.

34 (iii) Replenishment of groundwater.

35 Sec. 16. Repeal

36 Laws 2016, chapter 128, section 30 is repealed.

37 Sec. 17. Transfer and renumber

38 Title 41, chapter 16, article 5, Arizona Revised Statutes, is
39 transferred and renumbered for placement in title 32, chapter 20, Arizona
40 Revised Statutes, as article 11. The following sections are transferred
41 and renumbered for placement in title 32, chapter 20, article 11:

<u>Former Sections</u>	<u>New Sections</u>
43 41-2198	32-2199
44 41-2198.01	32-2199.01

1 41-2198.02 32-2199.02
2 41-2198.04 32-2199.04
3 41-2198.05 32-2199.05

4 Sec. 18. Repeal

5 Laws 2016, chapter 340, section 9 is repealed.

6 Sec. 19. Delayed repeal

7 Section 35-319, Arizona Revised Statutes, is repealed:

8 1. From and after August 6, 2016, if the amendments to article X,
9 section 7, Constitution of Arizona, and article XI, Constitution of
10 Arizona, are not approved by a vote of the people at the special election
11 conducted on May 17, 2016.

12 2. From and after June 30, 2025, if the amendments to article X,
13 section 7, Constitution of Arizona, and article XI, Constitution of
14 Arizona, are approved by a vote of the people at the special election
15 conducted on May 17, 2016.

16 Sec. 20. Repeal

17 Laws 2016, chapter 367, section 4 is repealed.

18 Sec. 21. Retroactivity; refund; nonseverability

19 A. Sections 42-5009, 42-5061 and 42-5159, Arizona Revised Statutes,
20 as amended by this act, apply retroactively to taxable periods beginning
21 from and after May 31, 1998.

22 B. Any claim for refund of tax based on the retroactive application
23 of sections 42-5009, 42-5061 and 42-5159, Arizona Revised Statutes, as
24 amended by this act, shall be considered timely filed under section
25 42-1106, Arizona Revised Statutes, if the claim is filed with the
26 department of revenue on or before December 31, 2016 pursuant to section
27 42-1118, Arizona Revised Statutes. A failure to file a claim on or before
28 December 31, 2016 constitutes a waiver of the claim for refund under this
29 section.

30 C. The aggregate amount of the refund under this section is one
31 thousand dollars. If the aggregate amount of claims that are determined
32 to be valid exceeds one thousand dollars, the department of revenue shall
33 reduce each claim proportionately so the aggregate amount of the refund is
34 not more than one thousand dollars.

35 D. Any claim for refund that is not based on the retroactive
36 application of sections 42-5009, 42-5061 and 42-5159, Arizona Revised
37 Statutes, as amended by this act, is not subject to subsections B and C of
38 this section.

39 E. This section does not extend the statute of limitations for
40 assessment or refund beyond the period that is open under sections 42-1104
41 and 42-1106, Arizona Revised Statutes.

42 F. If any part of this section is finally adjudicated to be
43 invalid, this entire section is void. The provisions of this section are
44 intended to be nonseverable.

1 Sec. 22. Retroactivity

2 A. Sections 4, 5, 14, 15, 16, 17, 18 and 19 of this act apply
3 retroactively to from and after August 5, 2016.

4 B. Sections 2 and 3 of this act apply retroactively to from and
5 after December 31, 2016.

6 C. Sections 6 and 7 of this act apply retroactively to from and
7 after June 30, 2017.

APPROVED BY THE GOVERNOR MARCH 27, 2017.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 27, 2017.

Passed the House March 20, 2017,

Passed the Senate January 23, 2017,

by the following vote: 57 Ayes,

by the following vote: 30 Ayes,

0 Nays, 3 Not Voting

0 Nays, 0 Not Voting

[Signature]
Speaker of the House

[Signature]
President of the Senate

[Signature]
Chief Clerk of the House

[Signature]
Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

21 day of March, 2017,

at 1:50 o'clock P M.

[Signature]
Secretary to the Governor

Approved this 27th day of

March, 2017,

at 9:07 o'clock A M.

[Signature]
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 27 day of March, 2017,

at 11:44 o'clock A M.

[Signature]
Secretary of State

S.B. 1010