



STATE OF ARIZONA
OFFICE OF THE GOVERNOR

DOUGLAS A. DUCEY
GOVERNOR

EXECUTIVE OFFICE

April 17, 2018

The Honorable Michele Reagan
Secretary of State
1700 W. Washington, 7th Floor
Phoenix, AZ 85007

Dear Secretary Reagan:

I am transmitting to you the following bills from the Fifty-third Legislature, 2nd Regular Session, which I signed on April 17, 2018:

- HB 2040 pharmacy board; definitions; reporting (Carter)
- HB 2041 pharmacy board; licenses; permits (Carter)
- HB 2065 public meetings; definition; penalties (Leach)
- HB 2125 task force; towing safety (Shope)
- HB 2126 government property; abatement; slum; blight (Leach)
- HB 2249 protective orders; filing requirements (Farnsworth, E.)
- HB 2250 physician assistants; prescribing authority; delegation (Carter)
- HB 2257 radiation regulatory boards; repeal; DHS (Carter)
- HB 2262 condominiums; termination; appraisals (Toma)
- HB 2306 towing companies; insurance companies; owners (Campbell)
- HB 2313 sentencing; monetary obligations; fine mitigation (Farnsworth, E.)
- HB 2322 health insurers; provider credentialing (Carter)
- HB 2327 federal officers; personal information; confidentiality (Farnsworth, E.)
- HB 2334 liquor omnibus (Weninger)
- HB 2411 health professionals; licensure; report (Mosley)
- HB 2521 vehicle size, weight and load (John)
- HB 2549 controlled substances; dosage limit (Carter)
- HB 2550 contractor qualifications; work experience (Toma)
- HB 2558 drug disposal; education (Cobb)
- HB 2588 misrepresentation; service animals (Cook)

HB 2604 limited liability company act; revisions
SB 1065 commercial vehicles; ports of entry (Brophy McGee)
SB 1120 tax exemption; special events; nonprofits (Kavanagh)
SB 1152 education; appropriation; noncustodial federal monies (Allen, S.)
SB 1218 developmental homes; licensure; investigations (Brophy McGee)
SB 1264 gift cards; dormancy fee; prohibition (Yarbrough)
SB 1274 public monies; recovery; illegal payments (Petersen)
SB 1291 schools; pupil assessment data (Brophy McGee)
SB 1295 producer fees; insurance (Kavanagh)
SB 1400 aggravated DUI; sentence; county jail (Smith)
SB 1450 independent oversight committees; appointment; duties (Barto)

Sincerely,

A handwritten signature in black ink that reads "Douglas A. Ducey". The signature is written in a cursive style with a large, prominent initial "D".

Douglas A. Ducey
Governor
State of Arizona

cc: Senate Secretary
Chief Clerk of the House of Representatives
Arizona News Service

Senate Engrossed
FILED

MICHELE REAGAN
SECRETARY OF STATE

State of Arizona
Senate
Fifty-third Legislature
Second Regular Session
2018

CHAPTER 249
SENATE BILL 1120

AN ACT

AMENDING SECTIONS 42-5061, 42-5069, 42-5073, 42-5074, 42-5159 AND 42-6004,
ARIZONA REVISED STATUTES; RELATING TO STATE AND LOCAL TRANSACTION
PRIVILEGE AND USE TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 42-5061, Arizona Revised Statutes, is amended to
3 read:

4 42-5061. Retail classification; definitions

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

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

13 2. Services rendered in addition to selling tangible personal
14 property at retail.

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

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

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

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

27 7. The sale of stocks and bonds.

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

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

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

36 11. Prescription eyeglasses or contact lenses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21 25. Tangible personal property sold to:

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

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

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

32 (d) A qualifying community health center as defined in section
33 42-5001.

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

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

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

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

7 26. Magazines or other periodicals or other publications by this
8 state to encourage tourist travel.

9 27. Tangible personal property sold to:

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

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

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

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

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

27 28. The sale of a motor vehicle to:

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

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

35 29. Tangible personal property purchased in this state by a
36 nonprofit charitable organization that has qualified under section
37 501(c)(3) of the United States internal revenue code and that engages in
38 and uses such property exclusively in programs for persons with mental or
39 physical disabilities if the programs are exclusively for training, job
40 placement, rehabilitation or testing.

41 30. Sales of tangible personal property by a nonprofit organization
42 that is exempt from taxation under section 501(c)(3), 501(c)(4) or
43 501(c)(6) of the internal revenue code if the organization is associated
44 with a major league baseball team or a national touring professional
45 golfing association and no part of the organization's net earnings inures

1 to the benefit of any private shareholder or individual. THIS PARAGRAPH
2 DOES NOT APPLY TO AN ORGANIZATION THAT IS OWNED, MANAGED OR CONTROLLED, IN
3 WHOLE OR IN PART, BY A MAJOR LEAGUE BASEBALL TEAM, OR ITS OWNERS,
4 OFFICERS, EMPLOYEES OR AGENTS, OR BY A MAJOR LEAGUE BASEBALL ASSOCIATION
5 OR PROFESSIONAL GOLFING ASSOCIATION, OR ITS OWNERS, OFFICERS, EMPLOYEES OR
6 AGENTS, UNLESS THE ORGANIZATION CONDUCTED OR OPERATED EXHIBITION EVENTS IN
7 THIS STATE BEFORE JANUARY 1, 2018 THAT WERE EXEMPT FROM TAXATION UNDER
8 SECTION 42-5073.

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

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

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

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

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

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

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

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

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

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

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

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

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

37 42. Sales of:

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

40 (b) Livestock and poultry feed, salts, vitamins and other additives
41 for livestock or poultry consumption that are sold to persons for use or
42 consumption by their own livestock or poultry, for use or consumption in
43 the businesses of farming, ranching and producing or feeding livestock,
44 poultry, or livestock or poultry products or for use or consumption in

1 noncommercial boarding of livestock. For the purposes of this paragraph,
2 "poultry" includes ratites.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

34 57. Computer data center equipment sold to the owner, operator or
35 qualified colocation tenant of a computer data center that is certified by
36 the Arizona commerce authority under section 41-1519 or an authorized
37 agent of the owner, operator or qualified colocation tenant during the
38 qualification period for use in the qualified computer data center. For
39 the purposes of this paragraph, "computer data center", "computer data
40 center equipment", "qualification period" and "qualified colocation
41 tenant" have the same meanings prescribed in section 41-1519.

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

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

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

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

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

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

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

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

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

39 3. Tangible personal property sold to persons engaged in business
40 classified under the telecommunications classification, including a person
41 representing or working on behalf of such a person in a manner described
42 in section 42-5075, subsection 0, and consisting of central office
43 switching equipment, switchboards, private branch exchange equipment,
44 microwave radio equipment and carrier equipment including optical fiber,

1 coaxial cable and other transmission media that are components of carrier
2 systems.

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

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

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

16 7. Aircraft, navigational and communication instruments and other
17 accessories and related equipment sold to:

18 (a) A person:

19 (i) Holding, or exempted by federal law from obtaining, a federal
20 certificate of public convenience and necessity for use as, in conjunction
21 with or becoming part of an aircraft to be used to transport persons for
22 hire in intrastate, interstate or foreign commerce.

23 (ii) That is certificated or licensed under federal aviation
24 administration regulations (14 Code of Federal Regulations part 121 or
25 135) as a scheduled or unscheduled carrier of persons for hire for use as
26 or in conjunction with or becoming part of an aircraft to be used to
27 transport persons for hire in intrastate, interstate or foreign commerce.

28 (iii) Holding a foreign air carrier permit for air transportation
29 for use as or in conjunction with or becoming a part of aircraft to be
30 used to transport persons, property or United States mail in intrastate,
31 interstate or foreign commerce.

32 (iv) Operating an aircraft to transport persons in any manner for
33 compensation or hire, or for use in a fractional ownership program that
34 meets the requirements of federal aviation administration regulations (14
35 Code of Federal Regulations part 91, subpart K), including as an air
36 carrier, a foreign air carrier or a commercial operator or under a
37 restricted category, within the meaning of 14 Code of Federal Regulations,
38 regardless of whether the operation or aircraft is regulated or certified
39 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code
40 of Federal Regulations.

41 (v) That will lease or otherwise transfer operational control,
42 within the meaning of federal aviation administration operations
43 specification A008, or its successor, of the aircraft, instruments or
44 accessories to one or more persons described in item (i), (ii), (iii) or
45 (iv) of this subdivision, subject to section 42-5009, subsection Q.

1 (b) Any foreign government.

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

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

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

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

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

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

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

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

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

40 14. Machinery or equipment used in research and development. For
41 the purposes of this paragraph, "research and development" means basic and
42 applied research in the sciences and engineering, and designing,
43 developing or testing prototypes, processes or new products, including
44 research and development of computer software that is embedded in or an
45 integral part of the prototype or new product or that is required for

1 machinery or equipment otherwise exempt under this section to function
2 effectively. Research and development do not include manufacturing
3 quality control, routine consumer product testing, market research, sales
4 promotion, sales service, research in social sciences or psychology,
5 computer software research that is not included in the definition of
6 research and development, or other nontechnological activities or
7 technical services.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

36 (c) Any machinery or equipment purchased after the television
37 station has ceased analog broadcasting, or purchased after November 1,
38 2009, whichever occurs first.

39 21. Qualifying equipment that is purchased from and after June 30,
40 2004 through June 30, 2024 by a qualified business under section 41-1516
41 for harvesting or processing qualifying forest products removed from
42 qualifying projects as defined in section 41-1516. To qualify for this
43 deduction, the qualified business at the time of purchase must present its
44 certification approved by the department.

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

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

7 2. Janitorial equipment and hand tools.

8 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

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

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

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

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

8 1. Agricultural producers who are owners, proprietors or tenants of
9 agricultural lands, orchards, farms or gardens where agricultural products
10 are grown, raised or prepared for market and who are marketing their own
11 agricultural products.

12 2. Businesses classified under the:

- 13 (a) Transporting classification.
- 14 (b) Utilities classification.
- 15 (c) Telecommunications classification.
- 16 (d) Pipeline classification.
- 17 (e) Private car line classification.
- 18 (f) Publication classification.
- 19 (g) Job printing classification.
- 20 (h) Prime contracting classification.
- 21 (i) Restaurant classification.

22 I. The gross proceeds of sales or gross income derived from the
23 following shall be deducted from the tax base for the retail
24 classification:

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

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

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

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

43 J. There shall be deducted from the tax base fifty percent of the
44 gross proceeds or gross income from any sale of tangible personal property

1 made directly to the United States government or its departments or
2 agencies that is not deducted under subsection I of this section.

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

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

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

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

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

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

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

32 P. Retail sales of prepaid calling cards or prepaid authorization
33 numbers for telecommunications services, including sales of
34 reauthorization of a prepaid card or authorization number, are subject to
35 tax under this section.

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

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

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

44 R. For the purposes of this section, the transfer of title or
45 possession of coal from an owner or operator of a power plant to a person

1 in the business of refining coal is not a sale of coal if both of the
2 following apply:

3 1. The transfer of title or possession of the coal is for the
4 purpose of refining the coal.

5 2. The title or possession of the coal is transferred back to the
6 owner or operator of the power plant after completion of the coal refining
7 process. For the purposes of this paragraph, "coal refining process"
8 means the application of a coal additive system that aids in the reduction
9 of power plant emissions during the combustion of coal and the treatment
10 of flue gas.

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

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

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

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

35 U. In computing the tax base for the sale of a motor vehicle to a
36 nonresident of this state, if the purchaser's state of residence allows a
37 corresponding use tax exemption to the tax imposed by article 1 of this
38 chapter and the rate of the tax in the purchaser's state of residence is
39 lower than the rate prescribed in article 1 of this chapter or if the
40 purchaser's state of residence does not impose an excise tax, and the
41 nonresident has secured a special ninety day nonresident registration
42 permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01,
43 there shall be deducted from the tax base a portion of the gross proceeds
44 or gross income from the sale so that the amount of transaction privilege
45 tax that is paid in this state is equal to the excise tax that is imposed

1 by the purchaser's state of residence on the nonexempt sale or use of the
2 motor vehicle.

3 V. For the purposes of this section:

4 1. "Agricultural aircraft" means an aircraft that is built for
5 agricultural use for the aerial application of pesticides or fertilizer or
6 for aerial seeding.

7 2. "Aircraft" includes:

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

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

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

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

23 W. For the purposes of subsection I of this section:

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

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

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

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

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

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

1 contractor's obligation under one or more government contracts is
2 performed, undertaken or assumed and that includes provisions causing
3 title to overhead materials or other tangible personal property used in
4 the performance of the subcontract to pass to the government or that
5 includes provisions incorporating such title passing clauses in a
6 government contract into the subcontract.

7 Sec. 2. Section 42-5069, Arizona Revised Statutes, is amended to
8 read:

9 42-5069. Commercial lease classification; definitions

10 A. The commercial lease classification is comprised of the business
11 of leasing for a consideration the use or occupancy of real property.

12 B. A person who, as a lessor, leases or rents for a consideration
13 under one or more leases or rental agreements the use or occupancy of real
14 property that is used by the lessee for commercial purposes is deemed to
15 be engaged in business and subject to the tax imposed by article 1 of this
16 chapter, but this subsection does not include leases or rentals of real
17 property used for residential or agricultural purposes.

18 C. The commercial lease classification does not include:

19 1. Any business activities that are classified under the transient
20 lodging classification.

21 2. Activities engaged in by the Arizona exposition and state fair
22 board or county fair commissions in connection with events sponsored by
23 those entities.

24 3. Leasing real property to a lessee who subleases the property if
25 the lessee is engaged in business classified under the commercial lease
26 classification or the transient lodging classification.

27 4. Leasing real property pursuant to a written lease agreement
28 entered into before December 1, 1967. This exclusion does not apply to
29 the businesses of hotels, guest houses, dude ranches and resorts, rooming
30 houses, apartment houses, office buildings, automobile storage garages,
31 parking lots or tourist camps, or to the extension or renewal of any such
32 written lease agreement.

33 5. Leasing real property between affiliated companies, businesses,
34 persons or reciprocal insurers. For the purposes of this paragraph:

35 (a) "Affiliated companies, businesses, persons or reciprocal
36 insurers" means the lessor holds a controlling interest in the lessee, the
37 lessee holds a controlling interest in the lessor, affiliated persons hold
38 a controlling interest in both the lessor and the lessee, or an unrelated
39 person holds a controlling interest in both the lessor and lessee.

40 (b) "Affiliated persons" means members of an individual's family or
41 persons who have ownership or control of a business entity.

42 (c) "Controlling interest" means direct or indirect ownership of at
43 least eighty percent of the voting shares of a corporation or of the
44 interests in a company, business or person other than a corporation.

1 (d) "Members of an individual's family" means the individual's
2 spouse and brothers and sisters, whether by whole or half blood, including
3 adopted persons, ancestors and lineal descendants.

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

6 6. Leasing real property for boarding horses.

7 7. Leasing or renting real property or the right to use real
8 property at exhibition events in this state sponsored, operated or
9 conducted by a nonprofit organization that is exempt from taxation under
10 section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if
11 the organization is associated with major league baseball teams or a
12 national touring professional golfing association and no part of the
13 organization's net earnings inures to the benefit of any private
14 shareholder or individual. THIS PARAGRAPH DOES NOT APPLY TO AN
15 ORGANIZATION THAT IS OWNED, MANAGED OR CONTROLLED, IN WHOLE OR IN PART, BY
16 A MAJOR LEAGUE BASEBALL TEAM, OR ITS OWNERS, OFFICERS, EMPLOYEES OR
17 AGENTS, OR BY A MAJOR LEAGUE BASEBALL ASSOCIATION OR PROFESSIONAL GOLFING
18 ASSOCIATION, OR ITS OWNERS, OFFICERS, EMPLOYEES OR AGENTS, UNLESS THE
19 ORGANIZATION CONDUCTED OR OPERATED EXHIBITION EVENTS IN THIS STATE BEFORE
20 JANUARY 1, 2018 THAT WERE EXEMPT FROM TAXATION UNDER SECTION 42-5073.

21 8. Leasing or renting real property or the right to use real
22 property for use as a rodeo featuring primarily farm and ranch animals in
23 this state sponsored, operated or conducted by a nonprofit organization
24 that is exempt from taxation under section 501(c)(3), 501(c)(4),
25 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code and no part
26 of the organization's net earnings inures to the benefit of any private
27 shareholder or individual.

28 9. Leasing or renting dwelling units, lodging facilities or trailer
29 or mobile home spaces if the units, facilities or spaces are intended to
30 serve as the principal or permanent place of residence for the lessee or
31 renter or if the unit, facility or space is leased or rented to a single
32 tenant thirty or more consecutive days.

33 10. Leasing or renting real property and improvements for use
34 primarily for religious worship by a nonprofit organization that is exempt
35 from taxation under section 501(c)(3) of the internal revenue code and no
36 part of the organization's net earnings inures to the benefit of any
37 private shareholder or individual.

38 11. Leasing or renting real property used for agricultural purposes
39 under either of the following circumstances:

40 (a) The lease or rental is between family members, trusts, estates,
41 corporations, partnerships, joint venturers or similar entities, or any
42 combination thereof, if the individuals or at least eighty percent of the
43 beneficiaries, shareholders, partners or joint venturers share a family
44 relationship as parents or ancestors of parents, children or descendants
45 of children, siblings, cousins of the first degree, aunts, uncles, nieces

1 or nephews of the first degree, spouses of any of the listed relatives and
2 listed relatives by the half-blood or by adoption.

3 (b) The lessor leases or rents real property used for agricultural
4 purposes under no more than three leases or rental agreements.

5 12. Leasing, renting or granting the right to use real property to
6 vendors or exhibitors by a trade or industry association that is a
7 qualifying organization pursuant to section 513(d)(3)(C) of the internal
8 revenue code for a period not to exceed twenty-one days in connection with
9 an event that meets all of the following conditions:

10 (a) The majority of such vending or exhibition activities relate to
11 the nature of the trade or business sponsoring the event.

12 (b) The event is held in conjunction with a formal business meeting
13 of the trade or industry association.

14 (c) The event is organized by the persons engaged in the particular
15 trade or industry.

16 13. Leasing, renting or granting the right to use real property for
17 a period not to exceed twenty-one days by a coliseum, civic center, civic
18 plaza, convention center, auditorium or arena owned by this state or any
19 of its political subdivisions.

20 14. Leasing or subleasing real property used by a nursing care
21 institution as defined in section 36-401 that is licensed pursuant to
22 title 36, chapter 4.

23 15. Leasing or renting an eligible facility as defined in section
24 28-7701.

25 16. Granting or providing rights to real property that constitute a
26 profit à prendre for the severance of minerals, including all rights to
27 use the surface or subsurface of the property as is necessary or
28 convenient to the right to sever the minerals. This paragraph does not
29 exclude from the commercial lease classification leasehold rights to the
30 real property that are granted in addition to and not included within the
31 right of profit à prendre, but the tax base for the grant of such a
32 leasehold right, if the gross income derived from the grant is not
33 separately stated from the gross income derived from the grant of the
34 profit à prendre, shall not exceed the fair market value of the leasehold
35 rights computed after excluding the value of all rights under the profit à
36 prendre. For the purposes of this paragraph, "profit à prendre" means a
37 right to use the land of another to mine minerals, and carries with it the
38 right of entry and the right to remove and take the minerals from the land
39 and also includes the right to use the surface of the land as is necessary
40 and convenient for exercise of the profit.

41 17. The leasing or renting of space to make attachments to utility
42 poles as follows:

43 (a) By a person that is engaged in business under section 42-5063
44 or 42-5064 or that is a cable operator.

1 (b) To a person that is engaged in business under section 42-5063
2 or 42-5064 or that is a cable operator.

3 D. The tax base for the commercial lease classification is the
4 gross proceeds of sales or gross income derived from the business, but
5 reimbursements to the lessor for utility service shall be deducted from
6 the tax base.

7 E. Notwithstanding section 42-1104, subsection B, paragraph 1,
8 subdivision (b) and paragraph 2, the failure to file tax returns for the
9 commercial lease classification that report gross income derived from any
10 agreement that constitutes, in whole or in part, a grant of a right of
11 profit à prendre for the severance of minerals does not constitute an
12 exception to the general rule for the statute of limitations.

13 F. For the purposes of this section:

14 1. "Cable operator" has the same meaning prescribed by IN section
15 9-505.

16 2. "Leasing" includes renting.

17 3. "Real property" includes any improvements, rights or interest in
18 such property.

19 4. "Utility pole" means any wooden, metal or other pole used for
20 utility purposes and the pole's appurtenances that are attached or
21 authorized for attachment by the person controlling the pole.

22 Sec. 3. Section 42-5073, Arizona Revised Statutes, is amended to
23 read:

24 42-5073. Amusement classification

25 A. The amusement classification is comprised of the business of
26 operating or conducting theaters, movies, operas, shows of any type or
27 nature, exhibitions, concerts, carnivals, circuses, amusement parks,
28 menageries, fairs, races, contests, games, billiard or pool parlors,
29 bowling alleys, public dances, dance halls, boxing and wrestling matches,
30 skating rinks, tennis courts, except as provided in subsection B of this
31 section, video games, pinball machines, ~~OR~~ sports events or any other
32 business charging admission or user fees for exhibition, amusement or
33 entertainment, including the operation or sponsorship of events by a
34 tourism and sports authority under title 5, chapter 8. For the purposes
35 of this section, admission or user fees include, but are not limited to,
36 any revenues derived from any form of contractual agreement for rights to
37 or use of premium or special seating facilities or arrangements. The
38 amusement classification does not include:

39 1. Activities or projects of bona fide religious or educational
40 institutions.

41 2. Private or group instructional activities. For the purposes of
42 this paragraph, "private or group instructional activities" includes, but
43 is not limited to, performing arts, martial arts, gymnastics and aerobic
44 instruction.

1 3. The operation or sponsorship of events by the Arizona exposition
2 and state fair board or county fair commissions.

3 4. A musical, dramatic or dance group or a botanical garden, museum
4 or zoo that is qualified as a nonprofit charitable organization under
5 section 501(c)(3) of the United States internal revenue code ~~and~~ if no
6 part of its net income inures to the benefit of any private shareholder or
7 individual.

8 5. Exhibition events in this state sponsored, conducted or operated
9 by a nonprofit organization that is exempt from taxation under section
10 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the
11 organization is associated with major league baseball teams or a national
12 touring professional golfing association and no part of the organization's
13 net earnings inures to the benefit of any private shareholder or
14 individual. THIS PARAGRAPH DOES NOT APPLY TO AN ORGANIZATION THAT IS
15 OWNED, MANAGED OR CONTROLLED, IN WHOLE OR IN PART, BY A MAJOR LEAGUE
16 BASEBALL TEAM, OR ITS OWNERS, OFFICERS, EMPLOYEES OR AGENTS, OR BY A MAJOR
17 LEAGUE BASEBALL ASSOCIATION OR PROFESSIONAL GOLFING ASSOCIATION, OR ITS
18 OWNERS, OFFICERS, EMPLOYEES OR AGENTS, UNLESS THE ORGANIZATION CONDUCTED
19 OR OPERATED EXHIBITION EVENTS IN THIS STATE BEFORE JANUARY 1, 2018 THAT
20 WERE EXEMPT FROM TAXATION UNDER THIS SECTION.

21 6. Operating or sponsoring rodeos that feature primarily farm and
22 ranch animals in this state and that are sponsored, conducted or operated
23 by a nonprofit organization that is exempt from taxation under section
24 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the internal
25 revenue code ~~and~~ IF no part of the organization's net earnings inures to
26 the benefit of any private shareholder or individual.

27 7. Sales of admissions to intercollegiate football contests if the
28 contests are both:

29 (a) Operated by a nonprofit organization that is exempt from
30 taxation under section 501(c)(3) of the internal revenue code and no part
31 of the organization's net earnings inures to the benefit of any private
32 shareholder or individual.

33 (b) Not held in a multipurpose facility that is owned or operated
34 by the tourism and sports authority pursuant to title 5, chapter 8.

35 8. Activities and events of, or fees and assessments received by, a
36 homeowners organization from persons who are members of the organization
37 or accompanied guests of members. For the purposes of this paragraph,
38 "homeowners organization" means a mandatory membership organization
39 comprised of owners of residential property within a specified residential
40 real estate subdivision development or similar area and established to own
41 property for the benefit of its members where both of the following apply:

42 (a) No part of the organization's net earnings inures to the
43 benefit of any private shareholder or individual.

1 (b) The primary purpose of the organization is to provide for the
2 acquisition, construction, management, maintenance or care of organization
3 property.

4 9. Activities and events of, or fees received by, a nonprofit
5 organization that is exempt from taxation under section 501(c)(6) of the
6 internal revenue code if the organization produces, organizes or promotes
7 cultural or civic related festivals or events and no part of the
8 organization's net earnings inures to the benefit of any private
9 shareholder or individual.

10 10. Arranging an amusement activity as a service to a person's
11 customers if that person is not otherwise engaged in the business of
12 operating or conducting an amusement personally or through others. This
13 exception does not apply to businesses that operate or conduct amusements
14 pursuant to customer orders and send the billings and receive the payments
15 associated with that activity, including when the amusement is performed
16 by third-party independent contractors. For the purposes of this
17 paragraph, "arranging" includes billing for or collecting amusement
18 charges from a person's customers on behalf of the persons providing the
19 amusement.

20 B. The tax base for the amusement classification is the gross
21 proceeds of sales or gross income derived from the business, except that
22 the following shall be deducted from the tax base:

23 1. The gross proceeds of sales or gross income derived from
24 memberships, including initiation fees, that provide for the right to use
25 a health or fitness establishment or a private recreational establishment,
26 or any portion of an establishment, including tennis and other racquet
27 courts at that establishment, for participatory purposes for twenty-eight
28 days or more and fees charged for use of the health or fitness
29 establishment or private recreational establishment by bona fide
30 accompanied guests of members, except that this paragraph does not include
31 additional fees, other than initiation fees, charged by a health or
32 fitness establishment or a private recreational establishment for purposes
33 other than memberships that provide for the right to use a health or
34 fitness establishment or private recreational establishment, or any
35 portion of an establishment, for participatory purposes for twenty-eight
36 days or more and accompanied guest use fees.

37 2. Amounts that are exempt under section 5-111, subsection G.

38 3. The gross proceeds of sales or gross income derived from
39 membership fees, including initiation fees, that provide for the right to
40 use a transient lodging recreational establishment, including golf courses
41 and tennis and other racquet courts at that establishment, for
42 participatory purposes for twenty-eight days or more, except that this
43 paragraph does not include additional fees, other than initiation fees,
44 that are charged by a transient lodging recreational establishment for
45 purposes other than memberships and that provide for the right to use a

1 transient lodging recreational establishment or any portion of the
2 establishment for participatory purposes for twenty-eight days or more.

3 4. The gross proceeds of sales or gross income derived from sales
4 to persons engaged in the business of transient lodging classified under
5 section 42-5070, if all of the following apply:

6 (a) The persons who are engaged in the transient lodging business
7 sell the amusement to another person for consideration.

8 (b) The consideration received by the transient lodging business is
9 equal to or greater than the amount to be deducted under this subsection.

10 (c) The transient lodging business has provided an exemption
11 certificate to the person engaging in business under this section.

12 5. The gross proceeds of sales or gross income derived from:

13 (a) Business activity that is properly included in any other
14 business classification under this article and that is taxable to the
15 person engaged in that classification, but the gross proceeds of sales or
16 gross income to be deducted shall not exceed the consideration paid to the
17 person conducting the activity.

18 (b) Business activity that is arranged by the person who is subject
19 to tax under this section and that is not taxable to the person conducting
20 the activity due to an exclusion, exemption or deduction under this
21 section or section 42-5062, but the gross proceeds of sales or gross
22 income to be deducted shall not exceed the consideration paid to the
23 person conducting the activity.

24 (c) Business activity that is arranged by a person who is subject
25 to tax under this section and that is taxable to another person under this
26 section who conducts the activity, but the gross proceeds of sales or
27 gross income to be deducted shall not exceed the consideration paid to the
28 person conducting the activity.

29 6. The gross proceeds of sales or gross income derived from entry
30 fees paid by participants for events that either:

31 (a) Until March 1, 2017, consist of a run, walk, swim or bicycle
32 ride or a similar event, or any combination of these events.

33 (b) Are operated or conducted by nonprofit organizations that are
34 exempt from taxation under section 501(c)(3) of the internal revenue code
35 and of which no part of the organization's net earnings inures to the
36 benefit of any private shareholder or individual, if the event consists of
37 a run, walk, swim or bicycle ride or a similar event, or any combination
38 of these events.

39 C. For the purposes of subsection B of this section:

40 1. "Health or fitness establishment" means a facility whose primary
41 purpose is to provide facilities, equipment, instruction or education to
42 promote the health and fitness of its members and at least eighty percent
43 of the monthly gross revenue of the facility is received through accounts
44 of memberships and accompanied guest use fees that provide for the right
45 to use the facility, or any portion of the facility, under the terms of

1 the membership agreement for participatory purposes for twenty-eight days
2 or more.

3 2. "Private recreational establishment" means a facility whose
4 primary purpose is to provide recreational facilities, such as tennis,
5 golf and swimming, for its members and where at least eighty percent of
6 the monthly gross revenue of the facility is received through accounts of
7 memberships and accompanied guest use fees that provide for the right to
8 use the facility, or any portion of the facility, for participatory
9 purposes for twenty-eight days or more.

10 3. "Transient lodging recreational establishment" means a facility
11 whose primary purpose is to provide facilities for transient lodging, that
12 is subject to taxation under this chapter and that also provides
13 recreational facilities, such as tennis, golf and swimming, for members
14 for a period of twenty-eight days or more.

15 D. Until December 31, 1988, the revenues from hayrides and other
16 animal-drawn amusement rides, from horseback riding and riding instruction
17 and from recreational tours using motor vehicles designed to operate on
18 and off public highways are exempt from the tax imposed by this section.
19 Beginning January 1, 1989, the gross proceeds or gross income from
20 hayrides and other animal-drawn amusement rides, from horseback riding and
21 from recreational tours using motor vehicles designed to operate on and
22 off public highways are subject to taxation under this section. Tax
23 liabilities, penalties and interest paid for taxable periods before
24 January 1, 1989 shall not be refunded unless the taxpayer requesting the
25 refund provides proof satisfactory to the department that the taxes will
26 be returned to the customer.

27 E. If a person is engaged in the business of offering both
28 exhibition, amusement or entertainment and private or group instructional
29 activities, the person's books shall be kept to show separately the gross
30 income from exhibition, amusement or entertainment and the gross income
31 from instructional activities. If the books do not provide this separate
32 accounting, the tax is imposed on the person's total gross income from the
33 business.

34 F. The department shall separately account for revenues collected
35 under the amusement classification for the purposes of section 42-5029,
36 subsection D, paragraph 4, subdivision (b).

37 G. For the purposes of section 42-5032.01, the department shall
38 separately account for revenues collected under the amusement
39 classification from sales of admissions to:

40 1. Events that are held in a multipurpose facility that is owned or
41 operated by the tourism and sports authority pursuant to title 5, chapter
42 8, including intercollegiate football contests that are operated by a
43 nonprofit organization that is exempt from taxation under section
44 501(c)(3) of the internal revenue code.

SENATE

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

4 Sec. 4. Section 42-5074, Arizona Revised Statutes, is amended to
5 read:

6 42-5074. Restaurant classification

7 A. The restaurant classification is comprised of the business of
8 operating restaurants, dining cars, dining rooms, lunchrooms, lunch
9 stands, soda fountains, catering services or similar establishments where
10 articles of food or drink are sold for consumption on or off the premises.

11 B. The tax base for the restaurant classification is the gross
12 proceeds of sales or gross income derived from the business. The gross
13 proceeds of sales or gross income derived from the following shall be
14 deducted from the tax base:

15 1. Sales to a person engaged in business classified under the
16 restaurant classification if the items sold are to be resold in the
17 regular course of the business.

18 2. Sales by a congressionally chartered veterans organization of
19 food or drink prepared for consumption on the premises leased, owned or
20 maintained by the organization.

21 3. Sales by churches, fraternal benefit societies and other
22 nonprofit organizations, as these organizations are defined in the federal
23 internal revenue code (26 United States Code section 501), that do not
24 regularly engage or continue in the restaurant business for the purpose of
25 fund-raising.

26 4. Sales by a nonprofit organization that is exempt from taxation
27 under section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue
28 code if the organization is associated with a major league baseball team
29 or a national touring professional golfing association and no part of the
30 organization's net earnings inures to the benefit of any private
31 shareholder or individual. THIS PARAGRAPH DOES NOT APPLY TO AN
32 ORGANIZATION THAT IS OWNED, MANAGED OR CONTROLLED, IN WHOLE OR IN PART, BY
33 A MAJOR LEAGUE BASEBALL TEAM, OR ITS OWNERS, OFFICERS, EMPLOYEES OR
34 AGENTS, OR BY A MAJOR LEAGUE BASEBALL ASSOCIATION OR PROFESSIONAL GOLFING
35 ASSOCIATION, OR ITS OWNERS, OFFICERS, EMPLOYEES OR AGENTS, UNLESS THE
36 ORGANIZATION CONDUCTED OR OPERATED EXHIBITION EVENTS IN THIS STATE BEFORE
37 JANUARY 1, 2018 THAT WERE EXEMPT FROM TAXATION UNDER SECTION 42-5073.

38 5. Sales at a rodeo featuring primarily farm and ranch animals in
39 this state by a nonprofit organization that is exempt from taxation under
40 section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the
41 internal revenue code ~~and~~ IF no part of the organization's net earnings
42 inures to the benefit of any private shareholder or individual.

43 6. Sales by any nonprofit organization organized and operated
44 exclusively for charitable purposes and recognized by the United States

1 internal revenue service under section 501(c)(3) of the internal revenue
2 code.

3 7. Sales to qualifying hospitals as defined in section 42-5001.

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

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

12 10. Sales of articles of prepared or unprepared food, drink or
13 condiment and accessory tangible personal property to a school district or
14 charter school if the articles and accessory tangible personal property
15 are served to persons for consumption on the premises of a public school
16 in the school district or charter school during school hours.

17 11. Prepared food, drink or condiment donated by a restaurant to a
18 nonprofit charitable organization that has qualified under section
19 501(c)(3) of the internal revenue code and that regularly serves meals to
20 the needy and indigent on a continuing basis at no cost.

21 12. Sales of articles of food and drink at low or reduced prices to
22 eligible elderly, ~~disabled~~ or homeless persons OR PERSONS WITH A
23 DISABILITY by a restaurant that contracts with the department of economic
24 security and that is approved by the food and nutrition services of the
25 United States department of agriculture pursuant to the supplemental
26 nutrition assistance program established by the food and nutrition act of
27 2008 (P.L. 110-246; 122 Stat. 1651; 7 United States Code sections 2011
28 through 2036a), if the purchases of the articles of food and drink are
29 made with the benefits issued pursuant to the supplemental nutrition
30 assistance program.

31 C. The tax imposed on the restaurant classification pursuant to
32 this section does not apply to the gross proceeds of sales or gross income
33 from tangible personal property sold to a commercial airline consisting of
34 food, beverages and condiments and accessories used for serving the food
35 and beverages, if those items are to be provided without additional charge
36 to passengers for consumption in flight. For the purposes of this
37 subsection, "commercial airline" means a person holding a federal
38 certificate of public convenience and necessity or foreign air carrier
39 permit for air transportation to transport persons, property or United
40 States mail in intrastate, interstate or foreign commerce.

41 D. The department shall separately account for revenues collected
42 under the restaurant classification for the purposes of section 42-5029,
43 subsection D, paragraph 4, subdivision (b).

44 E. For THE purposes of section 42-5032.01, the department shall
45 separately account for revenues collected under the restaurant

1 classification from businesses operating restaurants, dining rooms,
2 lunchrooms, lunch stands, soda fountains, catering services or similar
3 establishments:

4 1. On the premises of a multipurpose facility that is owned or
5 operated by the tourism and sports authority pursuant to title 5, chapter
6 8 for consumption on or off the premises.

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

10 Sec. 5. Section 42-5159, Arizona Revised Statutes, is amended to
11 read:

12 42-5159. Exemptions

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

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

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

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

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

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

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

1 7. Purchases of implants used as growth promotants and injectable
2 medicines, not already exempt under paragraph 16 of this subsection, for
3 livestock and poultry owned by, or in possession of, persons who are
4 engaged in producing livestock, poultry, or livestock or poultry products,
5 or who are engaged in feeding livestock or poultry commercially. For the
6 purposes of this paragraph, "poultry" includes ratites.

7 8. Purchases of:

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

10 (b) Livestock and poultry feed, salts, vitamins and other additives
11 sold to persons for use or consumption in the businesses of farming,
12 ranching and producing or feeding livestock or poultry or for use or
13 consumption in noncommercial boarding of livestock. For the purposes of
14 this paragraph, "poultry" includes ratites.

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

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

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

26 12. Materials that are purchased by or for publicly funded
27 libraries including school district libraries, charter school libraries,
28 community college libraries, state university libraries or federal, state,
29 county or municipal libraries for use by the public as follows:

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

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

32 13. Tangible personal property purchased by:

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

36 (b) A hospital operated by this state or a political subdivision of
37 this state.

38 (c) A licensed nursing care institution or a licensed residential
39 care institution or a residential care facility operated in conjunction
40 with a licensed nursing care institution or a licensed kidney dialysis
41 center, which provides medical services, nursing services or health
42 related services and is not used or held for profit.

43 (d) A qualifying health care organization, as defined in section
44 42-5001, if the tangible personal property is used by the organization

1 solely to provide health and medical related educational and charitable
2 services.

3 (e) A qualifying health care organization as defined in section
4 42-5001 if the organization is dedicated to providing educational,
5 therapeutic, rehabilitative and family medical education training for
6 blind and visually impaired children and children with multiple
7 disabilities from the time of birth to age twenty-one.

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

13 (g) A person that is subject to tax under this chapter by reason of
14 being engaged in business classified under section 42-5075, or a
15 subcontractor working under the control of a person that is engaged in
16 business classified under section 42-5075, if the tangible personal
17 property is any of the following:

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

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

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

24 (h) A person that is not subject to tax under section 42-5075 and
25 that has been provided a copy of a certificate described in section
26 42-5009, subsection L, if the property purchased is incorporated or
27 fabricated by the person into the real property, structure, project,
28 development or improvement described in the certificate.

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

33 (j) A qualifying community health center as defined in section
34 42-5001.

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

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

43 (m) For taxable periods beginning from and after June 30, 2001, a
44 nonprofit charitable organization that has qualified under section
45 501(c)(3) of the internal revenue code and that provides residential

1 apartment housing for low income persons over sixty-two years of age in a
2 facility that qualifies for a federal housing subsidy, if the tangible
3 personal property is used by the organization solely to provide
4 residential apartment housing for low income persons over sixty-two years
5 of age in a facility that qualifies for a federal housing subsidy.

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

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

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

18 15. Tangible personal property sold by:

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

22 (b) A nonprofit organization that is exempt from taxation under
23 section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if
24 the organization is associated with a major league baseball team or a
25 national touring professional golfing association and no part of the
26 organization's net earnings inures to the benefit of any private
27 shareholder or individual. THIS SUBDIVISION DOES NOT APPLY TO AN
28 ORGANIZATION THAT IS OWNED, MANAGED OR CONTROLLED, IN WHOLE OR IN PART, BY
29 A MAJOR LEAGUE BASEBALL TEAM, OR ITS OWNERS, OFFICERS, EMPLOYEES OR
30 AGENTS, OR BY A MAJOR LEAGUE BASEBALL ASSOCIATION OR PROFESSIONAL GOLFING
31 ASSOCIATION, OR ITS OWNERS, OFFICERS, EMPLOYEES OR AGENTS, UNLESS THE
32 ORGANIZATION CONDUCTED OR OPERATED EXHIBITION EVENTS IN THIS STATE BEFORE
33 JANUARY 1, 2018 THAT WERE EXEMPT FROM TRANSACTION PRIVILEGE TAX UNDER
34 SECTION 42-5073.

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

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

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

5 18. Prescription eyeglasses and contact lenses.

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

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

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

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

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

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

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

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

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

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

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

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

42 31. Coal, petroleum, coke, natural gas, virgin fuel oil and
43 electricity purchased by a qualified environmental technology
44 manufacturer, producer or processor as defined in section 41-1514.02 and
45 directly used or consumed in the generation or provision of on-site power

1 or energy solely for environmental technology manufacturing, producing or
2 processing or environmental protection. This paragraph shall apply for
3 twenty full consecutive calendar or fiscal years from the date the first
4 paper manufacturing machine is placed in service. In the case of an
5 environmental technology manufacturer, producer or processor who does not
6 manufacture paper, the time period shall begin with the date the first
7 manufacturing, processing or production equipment is placed in service.

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

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

12 (b) Public educational institutions.

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

16 33. Natural gas or liquefied petroleum gas used to propel a motor
17 vehicle.

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

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

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

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

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

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

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

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

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

35 41. Wireless telecommunications equipment that is held for sale or
36 transfer to a customer as an inducement to enter into or continue a
37 contract for telecommunications services that are taxable under section
38 42-5064.

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

42 43. Tangible personal property purchased by a commercial airline
43 and consisting of food, beverages and condiments and accessories used for
44 serving the food and beverages, if those items are to be provided without
45 additional charge to passengers for consumption in flight. For the

1 purposes of this paragraph, "commercial airline" means a person holding a
2 federal certificate of public convenience and necessity or foreign air
3 carrier permit for air transportation to transport persons, property or
4 United States mail in intrastate, interstate or foreign commerce.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

44 (c) "Indian tribe" means any organized nation, tribe, band or
45 community that is recognized as an Indian tribe by the United States

1 department of the interior and includes any entity formed under the laws
2 of the Indian tribe.

3 57. Cash equivalents, precious metal bullion and monetized bullion
4 purchased by the ultimate consumer, but coins or other forms of money for
5 manufacture into jewelry or works of art are subject to tax, and tangible
6 personal property that is purchased through the redemption of any cash
7 equivalent by the holder as a means of payment for goods that are subject
8 to tax under this article is subject to tax. For the purposes of this
9 paragraph:

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

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

19 (ii) Prepaid calling cards for telecommunications services.

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

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

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

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

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

43 3. Tangible personal property sold to persons engaged in business
44 classified under the telecommunications classification under section
45 42-5064, including a person representing or working on behalf of such a

1 person in a manner described in section 42-5075, subsection 0, and
2 consisting of central office switching equipment, switchboards, private
3 branch exchange equipment, microwave radio equipment and carrier equipment
4 including optical fiber, coaxial cable and other transmission media that
5 are components of carrier systems.

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

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

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

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

21 (a) A person:

22 (i) Holding, or exempted by federal law from obtaining, a federal
23 certificate of public convenience and necessity for use as, in conjunction
24 with or becoming part of an aircraft to be used to transport persons for
25 hire in intrastate, interstate or foreign commerce.

26 (ii) That is certificated or licensed under federal aviation
27 administration regulations (14 Code of Federal Regulations part 121 or
28 135) as a scheduled or unscheduled carrier of persons for hire for use as
29 or in conjunction with or becoming part of an aircraft to be used to
30 transport persons for hire in intrastate, interstate or foreign commerce.

31 (iii) Holding a foreign air carrier permit for air transportation
32 for use as or in conjunction with or becoming a part of aircraft to be
33 used to transport persons, property or United States mail in intrastate,
34 interstate or foreign commerce.

35 (iv) Operating an aircraft to transport persons in any manner for
36 compensation or hire, or for use in a fractional ownership program that
37 meets the requirements of federal aviation administration regulations (14
38 Code of Federal Regulations part 91, subpart K), including as an air
39 carrier, a foreign air carrier or a commercial operator or under a
40 restricted category, within the meaning of 14 Code of Federal Regulations,
41 regardless of whether the operation or aircraft is regulated or certified
42 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code
43 of Federal Regulations.

44 (v) That will lease or otherwise transfer operational control,
45 within the meaning of federal aviation administration operations

1 specification A008, or its successor, of the aircraft, instruments or
2 accessories to one or more persons described in item (i), (ii), (iii) or
3 (iv) of this subdivision, subject to section 42-5009, subsection Q.

4 (b) Any foreign government.

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

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

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

18 10. Machinery or equipment used directly to drill for oil or gas or
19 used directly in the process of extracting oil or gas from the earth for
20 commercial purposes.

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

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

30 13. New machinery and equipment consisting of agricultural
31 aircraft, tractors, tractor-drawn implements, self-powered implements,
32 machinery and equipment necessary for extracting milk, and machinery and
33 equipment necessary for cooling milk and livestock, and drip irrigation
34 lines not already exempt under paragraph 6 of this subsection and that are
35 used for commercial production of agricultural, horticultural,
36 viticultural and floricultural crops and products in this state. For the
37 purposes of this paragraph:

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

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

43 14. Machinery or equipment used in research and development. For
44 the purposes of this paragraph, "research and development" means basic and
45 applied research in the sciences and engineering, and designing,

1 developing or testing prototypes, processes or new products, including
2 research and development of computer software that is embedded in or an
3 integral part of the prototype or new product or that is required for
4 machinery or equipment otherwise exempt under this section to function
5 effectively. Research and development do not include manufacturing
6 quality control, routine consumer product testing, market research, sales
7 promotion, sales service, research in social sciences or psychology,
8 computer software research that is not included in the definition of
9 research and development, or other nontechnological activities or
10 technical services.

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

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

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

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

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

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

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

41 (a) Includes the integrated systems, fixtures, piping, movable
42 partitions, lighting and all property that is necessary or adapted to
43 reduce contamination or to control airflow, temperature, humidity,
44 chemical purity or other environmental conditions or manufacturing

1 tolerances, as well as the production machinery and equipment operating in
2 conjunction with the clean room environment.

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

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

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

20 19. Machinery and equipment that are used in the commercial
21 production of livestock; livestock products or agricultural,
22 horticultural, viticultural or floricultural crops or products in this
23 state, including production by a person representing or working on behalf
24 of such a person in a manner described in section 42-5075, subsection 0,
25 if the machinery and equipment are used directly and primarily to prevent,
26 monitor, control or reduce air, water or land pollution.

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

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

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

39 (c) Any machinery or equipment purchased after the television
40 station has ceased analog broadcasting, or purchased after November 1,
41 2009, whichever occurs first.

42 21. Qualifying equipment that is purchased from and after June 30,
43 2004 through June 30, 2024 by a qualified business under section 41-1516
44 for harvesting or processing qualifying forest products removed from
45 qualifying projects as defined in section 41-1516. To qualify for this

1 exemption, the qualified business must obtain and present its
2 certification from the Arizona commerce authority at the time of purchase.

3 22. Machinery, equipment, materials and other tangible personal
4 property used directly and predominantly to construct a qualified
5 environmental technology manufacturing, producing or processing facility
6 as described in section 41-1514.02. This paragraph applies for ten full
7 consecutive calendar or fiscal years after the start of initial
8 construction.

9 C. The exemptions provided by subsection B of this section do not
10 include:

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

15 2. Janitorial equipment and hand tools.

16 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

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

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

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

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

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

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

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

16 1. A qualified manufacturing or smelting business. A utility that
17 claims this deduction shall report each month, on a form prescribed by the
18 department, the name and address of each qualified manufacturing or
19 smelting business for which this deduction is taken. This paragraph
20 applies to gas transportation services. For the purposes of this
21 paragraph:

22 (a) "Gas transportation services" means the services of
23 transporting natural gas to a natural gas customer or to a natural gas
24 distribution facility if the natural gas was purchased from a supplier
25 other than the utility.

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

33 (c) "Qualified manufacturing or smelting business" means one of the
34 following:

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

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

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

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

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

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

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

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

14 1. "Agricultural aircraft" means an aircraft that is built for
15 agricultural use for the aerial application of pesticides or fertilizer or
16 for aerial seeding.

17 2. "Aircraft" includes:

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

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

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

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

31 Sec. 6. Section 42-6004, Arizona Revised Statutes, is amended to
32 read:

33 42-6004. Exemption from municipal tax; definitions

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

36 1. Exhibition events in this state sponsored, conducted or operated
37 by a nonprofit organization that is exempt from taxation under section
38 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the
39 organization is associated with a major league baseball team or a national
40 touring professional golfing association and no part of the organization's
41 net earnings inures to the benefit of any private shareholder or
42 individual. THIS PARAGRAPH DOES NOT APPLY TO AN ORGANIZATION THAT IS
43 OWNED, MANAGED OR CONTROLLED, IN WHOLE OR IN PART, BY A MAJOR LEAGUE
44 BASEBALL TEAM, OR ITS OWNERS, OFFICERS, EMPLOYEES OR AGENTS, OR BY A MAJOR
45 LEAGUE BASEBALL ASSOCIATION OR PROFESSIONAL GOLFING ASSOCIATION, OR ITS

1 OWNERS, OFFICERS, EMPLOYEES OR AGENTS, UNLESS THE ORGANIZATION CONDUCTED
2 OR OPERATED EXHIBITION EVENTS IN THIS STATE BEFORE JANUARY 1, 2018 THAT
3 WERE EXEMPT FROM STATE TRANSACTION PRIVILEGE TAX UNDER SECTION 42-5073.

4 2. Interstate telecommunications services, which include that
5 portion of telecommunications services, such as subscriber line service,
6 allocable by federal law to interstate telecommunications service.

7 3. Sales of warranty or service contracts.

8 4. Sales of motor vehicles to nonresidents of this state for use
9 outside this state if the motor vehicle dealer ships or delivers the motor
10 vehicle to a destination outside this state.

11 5. Interest on finance contracts.

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

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

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

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

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

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

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

40 11. Leasing real property between affiliated companies, businesses,
41 persons or reciprocal insurers. For the purposes of this paragraph:

42 (a) "Affiliated companies, businesses, persons or reciprocal
43 insurers" means the lessor holds a controlling interest in the lessee, the
44 lessee holds a controlling interest in the lessor, affiliated persons hold

1 a controlling interest in both the lessor and the lessee, or an unrelated
2 person holds a controlling interest in both the lessor and lessee.

3 (b) "Affiliated persons" means members of the individual's family
4 or persons who have ownership or control of a business entity.

5 (c) "Controlling interest" means direct or indirect ownership of at
6 least eighty percent of the voting shares of a corporation or of the
7 interests in a company, business or person other than a corporation.

8 (d) "Members of the individual's family" means the individual's
9 spouse and brothers and sisters, whether by whole or half blood, including
10 adopted persons, ancestors and lineal descendants.

11 (e) "Reciprocal insurer" has the same meaning prescribed in section
12 20-762.

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

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

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

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

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

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

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

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

43 (i) Assembling the machinery, equipment or other tangible personal
44 property.

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

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

6 (iv) Stabilizing or protecting the machinery, equipment or other
7 tangible personal property during operation by bolting, burying or
8 performing other dissimilar nonpermanent connections to either real
9 property or real property improvements.

10 13. The leasing or renting of certified ignition interlock devices
11 installed pursuant to the requirements prescribed by section 28-1461. For
12 the purposes of this paragraph, "certified ignition interlock device" has
13 the same meaning prescribed in section 28-1301.

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

22 15. The gross proceeds of sales or gross income derived from a
23 contract with the owner of real property or improvements to real property
24 for the maintenance, repair, replacement or alteration of existing
25 property, except as specified in this paragraph. The gross proceeds of
26 sales or gross income derived from a de minimis amount of modification
27 activity does not subject the contract or any part of the contract to tax.
28 For the purposes of this paragraph:

29 (a) Each contract is independent of another contract, except that
30 any change order that directly relates to the scope of work of the
31 original contract shall be treated the same as the original contract under
32 this paragraph, regardless of the amount of modification activities
33 included in the change order. If a change order does not directly relate
34 to the scope of work of the original contract, the change order shall be
35 treated as a new contract, with the tax treatment of any subsequent change
36 order to follow the tax treatment of the contract to which the scope of
37 work of the subsequent change order directly relates.

38 (b) Any term not defined in this paragraph that is defined in
39 section 42-5075 has the same meaning prescribed in section 42-5075.

40 (c) This paragraph does not apply to a contract that primarily
41 involves surface or subsurface improvements to land and that is subject to
42 title 28, chapter 19, 20 or 22 or title 34, chapter 2 or 6 even if the
43 contract also includes vertical improvements. If a city or town imposes a
44 tax on contracts that are subject to procurement processes under those
45 provisions, the city or town shall include in the request for proposals a

1 notice to bidders when those projects are subject to the tax. This
2 subdivision does not apply to contracts with:

3 (i) Community facilities districts, fire districts, county
4 television improvement districts, community park maintenance districts,
5 cotton pest control districts, hospital districts, pest abatement
6 districts, health service districts, agricultural improvement districts,
7 county free library districts, county jail districts, county stadium
8 districts, special health care districts, public health services
9 districts, theme park districts or revitalization districts.

10 (ii) Any special taxing district not specified in item (i) of this
11 subdivision if the district does not substantially engage in the
12 modification, maintenance, repair, replacement or alteration of surface or
13 subsurface improvements to land.

14 16. Monitoring services relating to an alarm system as defined in
15 section 32-101.

16 17. Tangible personal property, job printing or publications sold to
17 or purchased by, or tangible personal property leased, rented or licensed
18 for use to or by, a qualifying health sciences educational institution as
19 defined in section 42-5001.

20 18. The transfer of title or possession of coal back and forth
21 between an owner or operator of a power plant and a person who is
22 responsible for refining coal if both of the following apply:

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

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

31 19. The gross proceeds of sales or gross income from sales of low or
32 reduced cost articles of food or drink to eligible elderly or homeless
33 persons or persons with a disability by a business subject to tax under
34 section 42-5074 that contracts with the department of economic security
35 and that is approved by the food and nutrition service of the United
36 States department of agriculture pursuant to the supplemental nutrition
37 assistance program established by the food and nutrition act of 2008 (P.L.
38 110-246; 122 Stat. 1651; 7 United States Code sections 2011 through
39 2036a), if the purchases are made with the benefits issued pursuant to the
40 supplemental nutrition assistance program.

41 20. Tangible personal property incorporated or fabricated into a
42 project described in paragraph 15 of this subsection, that is located
43 within the exterior boundaries of an Indian reservation for which the
44 owner, as defined in section 42-5075, of the project is an Indian tribe or
45 an affiliated Indian. For the purposes of this paragraph:

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

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

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

13 21. The charges for the leasing or renting of space to make
14 attachments to utility poles as follows:

15 (a) By a person that is engaged in the business of providing or
16 furnishing electrical services or telecommunication services or that is a
17 cable operator.

18 (b) To a person that is engaged in the business of providing or
19 furnishing electrical services or telecommunication services or that is a
20 cable operator.

21 22. Until March 1, 2017, the gross proceeds of sales or gross
22 income derived from entry fees paid by participants for events that
23 consist of a run, walk, swim or bicycle ride or a similar event, or any
24 combination of these events.

25 23. The gross proceeds of sales or gross income derived from entry
26 fees paid by participants for events that are operated or conducted by
27 nonprofit organizations that are exempt from taxation under section
28 501(c)(3) of the internal revenue code and of which no part of the
29 organization's net earnings inures to the benefit of any private
30 shareholder or individual, if the event consists of a run, walk, swim or
31 bicycle ride or a similar event, or any combination of these events.

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

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

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

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

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

6 4. Incarcerating or detaining in a privately operated prison, jail
7 or detention facility prisoners who are under the jurisdiction of the
8 United States, this state or any other state or a political subdivision of
9 this state or of any other state.

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

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

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

19 (b) The attributable amount is equal to the total amount of
20 development fees paid by the taxpayer or by a contractor providing
21 services to the taxpayer and the total development fees credited in
22 exchange for the construction of, contribution to or dedication of real
23 property for providing public infrastructure, public safety or other
24 public services necessary to the development. The real property must be
25 the subject of the development fees.

26 (c) "Development fees" means fees imposed to offset capital costs
27 of providing public infrastructure, public safety or other public services
28 to a development and authorized pursuant to section 9-463.05, section
29 11-1102 or title 48 regardless of the jurisdiction to which the fees are
30 paid.

31 7. Any amount attributable to fees collected by transportation
32 network companies issued a permit pursuant to section 28-9552.

33 8. Transporting for hire persons by transportation network company
34 drivers on transactions involving transportation network services as
35 defined in section 28-9551.

36 9. Transporting for hire persons by vehicle for hire companies that
37 are issued permits pursuant to section 28-9503.

38 10. Transporting for hire persons by vehicle for hire drivers on
39 transactions involving vehicle for hire services as defined in section
40 28-9501.

41 D. A city, town or other taxing jurisdiction shall not levy a
42 transaction privilege, sales, use, franchise or other similar tax or fee,
43 however denominated, in excess of one-tenth of one percent of the value of
44 the entire product mined, smelted, extracted, refined, produced or
45 prepared for sale, profit or commercial use, on persons engaged in the

1 business of mineral processing, except to the extent that the tax is
2 computed on the gross proceeds or gross income from sales at retail.

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

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

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

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

13 G. For the purposes of this section:

14 1. "Cable operator" has the same meaning prescribed in section
15 9-505.

16 2. "Electrical services" means transmitting or distributing
17 electricity, electric lights, current or power over lines, wires or
18 cables.

19 3. "Telecommunication services" means transmitting or relaying
20 sound, visual image, data, information, images or material over lines,
21 wires or cables by radio signal, light beam, telephone, telegraph or other
22 electromagnetic means.

23 4. "Utility pole" means any wooden, metal or other pole used for
24 utility purposes and the pole's appurtenances that are attached or
25 authorized for attachment by the person controlling the pole.

26 Sec. 7. Retroactivity

27 This act applies retroactively to taxable periods beginning from and
28 after December 31, 2017.

APPROVED BY THE GOVERNOR APRIL 17, 2018

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 17, 2018

Passed the House April 5, 2018,

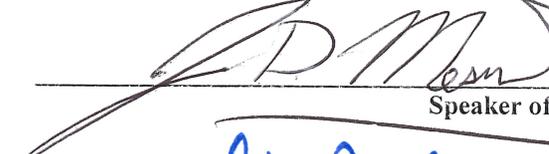
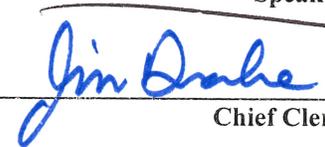
Passed the Senate February 21, 2018,

by the following vote: 59 Ayes,

by the following vote: 30 Ayes,

0 Nays, 1 Not Voting

0 Nays, 0 Not Voting


Speaker of the House

Chief Clerk of the House


President of the Senate

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

_____ day of _____, 20____,

at _____ o'clock _____ M.

Secretary to the Governor

Approved this _____ day of

_____, 20____,

at _____ o'clock _____ M.

Governor of Arizona

S.B. 1120

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this _____ day of _____, 20____,

at _____ o'clock _____ M.

Secretary of State

Passed the House April 11, 20 18

Passed the Senate _____, 20 _____

by the following vote: 57 Ayes,

by the following vote: _____ Ayes,

0 Nays, 3 Not Voting

_____ Nays, _____ Not Voting

[Signature]

Speaker of the House

President of the Senate

Pro Tempore

[Signature]

Chief Clerk of the House

Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

12th day of April, 20 18

at 10:29 o'clock A M.

[Signature]

Secretary to the Governor

Approved this 17th day of

April 2018

at 10:57 o'clock A. M.

[Signature]

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 17 day of April, 20 18

at 5:21 o'clock P. M.

[Signature]

Secretary of State

ON RECONSIDERATION
S.B. 1120