Historical Tax Law Changes
Transaction Privilege Tax

Following are historical tax law changes prior to 1996:

Laws 1933, Chapter 90 levied the first Arizona Transaction Privilege Tax. The tax was levied on the gross proceeds of businesses at the following rates:

(1)	Mining, quarrying, smelting, extracting, manufacturing, compounding or otherwise preparing articles or substances for sale or use	.5%
(2)	Producing for sale or use livestock, poultry and other products of the ranch, farm, grove, or garden	.5%
(3)	Selling tangible personal property at wholesale	.5%
(4)	Selling tangible personal property at retail	2%
(5)	Furnishing electricity, electric lights, current, power or gas to consumers for industrial purposes and for pumping water for irrigation	.5%
(6)	Furnishing electricity, electric lights, current, power or gas to consumers for other purposes	2%
(7)	Owning or operating a telegraph or telephone business	.5%
(8)	Transporting freight or passengers for hire by railroad	.5%
(9)	Transporting oil or gas by pipeline	.5%
(10)	Transporting freight or passengers for hire by motor vehicle	.5%
(11)	Engaging in any other business, profession, trade or calling	2%

Persons engaged in the businesses outlined above were allowed to deduct $1,200 from the amount of gross receipts subject to taxation. The tax was paid to the State Tax Commission on or before the 15th day of the month following the month in which the tax accrued. Of the amount collected, 3/4 was deposited in the state General Fund and 1/4 was deposited in the County Privilege Tax Fund for distribution among the counties. The Governor was authorized to expend 10% of the state's share to relieve unemployment or for any other public welfare relief, whenever an emergency existed. An amount not to exceed 5% of any one month's revenue was also appropriated from the state's share for enforcement of this act. (EFA - After April 30, 1933)

Laws 1933, 1st Special Session, Chapter 17 established a new Transaction Privilege Tax which replaced the tax established by Laws 1933, Chapter 90. The new tax was levied on the gross proceeds of business. Under the provisions of this law, Privilege Tax payment were delinquent 5 days after the monthly due date. The distribution of Privilege Taxes was also changed. The new distribution allowed the State Tax Commission to deduct its expenses for administering the tax from the total monthly collections. The amount deducted was not to exceed 4% of monthly collections and was deposited in the License Fee and Privilege Tax Administration Fund. Of the amount remaining, 15% was deposited in the Governor's Relief Fund, 63.75% was deposited in the state's General Fund and 21.25% was deposited in the County Privilege Tax Fund for distribution to the counties. The provisions of this law expired on March 1, 1935. (E - July 1, 1933)

Laws 1935, Chapter 77 reenacted the Transaction Privilege Tax that expired on March 1, 1935. The tax was extended to several new categories of business, the rates were changed for categories already taxable, and the distribution of tax proceeds was modified. Under the new law, the amount that remained after deducting refunds and the State Tax Commission's share was distributed as follows (E - May 1, 1935):

(1) 15% to the Governor's Relief Fund
(2) 85% to the state General Fund

Laws 1937, 1st Special Session, Chapter 2 reduced the tax rate on manufacturing and otherwise preparing articles and substances for sale or use. The rate levied on the preparation and/or sale of tangible personal property at wholesale was repealed. Businesses operating motion picture shows as the principal attraction were taxed at the 2% rate that applied to all other forms of amusement. Under Laws 1935, Chapter 77 these businesses had been taxed at

a rate of 1%. Three new taxable categories of business were also established. In addition, the law modified the distribution of Transaction Privilege Taxes. Under the new law, the amount that remained after deducting refunds and the State Tax Commission's share was distributed as follows (E - June 11, 1937):

(1) 15% to the State Board of Social Security and Welfare
(2) 85% to the state General Fund and the several counties of the state with the General Fund receiving 40% of this amount and the counties receiving 60%.

NOTE: An initiative measure approved at the election of November 3, 1942 changed the distribution of the Transaction Privilege Tax again. Under this initiative, municipalities received 10% of total Transaction Privilege Taxes in proportion to their populations. The amount distributed to municipalities came from the portion of Privilege Taxes formerly shared by the state General Fund and the several counties of the state. After deducting the municipalities' share, 40% of the balance was distributed to the state General Fund and 60% was distributed to the counties. (E - December 1, 1942)

Laws 1943, Chapter 13 enacted another change in the distribution of Transaction Privilege Taxes. Under this law, an amount equal to 4% of the Transaction Privilege Tax was deposited in the "License Fee and Privilege Tax Administration Fund." Any amount deposited in the fund not appropriated for the use of the State Tax Commission was reverted to the state General Fund. The amount received by the State Board of Social Security and Welfare was also changed. The Board's new allocation was 15% of total Privilege Taxes. Formerly, the board had received 15% of the amount that remained after deducting refunds and the Tax Administration Fund's share. Municipalities continued to receive 10% of total collections and the balance after all other shares had been allocated was distributed as in the past: By statute, 40% to the state General Fund and 60% to the several counties. (E - July 1, 1943)

Laws 1943, Chapter 16 exempted materials purchased by contractors for incorporation into a structure. This law was subsequently declared unconstitutional by the Arizona Supreme Court.

Laws 1950, 1st Special Session, Chapter 57 repealed the tax on gross income from manufacturing, and otherwise preparing articles or substances for sale or use. (E - June 18, 1950)

Laws 1952, Chapter 11 provided that the amount received by businesses as state sales tax collections is excluded from the gross receipts of the business in computing the tax owed to the state. (E - March 6, 1952)

Laws 1952, Chapter 100 exempted sales of materials to licensed contractors from the Transaction Privilege Tax. (E - March 24, 1952)

Laws 1954, Chapter 136 imposed a 1% rate upon gross proceeds from sales or gross income from businesses engaged in intrastate transportation for hire by aircraft. The law also established an exemption for the gross proceeds of most service occupations. (E- July 9, 1954)

Laws 1956, 2nd Special Session, Chapter 2 broadened exemptions from certain transactions involving sales to the United States Government. (E- July 1, 1956)

Laws 1959, Chapter 11 deleted adjustment and credit bureaus and collection agencies from the list of businesses subject to taxation. (E- June 20, 1959)

Laws 1959, Chapter 61 imposed a 1/4 of 1% rate upon vitamins and other additives to stock and chicken feeds. (E- March 18, 1959)

NOTE: An initiative measure enacted in the election of November 8, 1960 increased the percent of Transaction Privilege Tax collections distributed to municipalities. Under this law, municipalities received 25% of total collections. The State Tax Commission continued to receive 4% of total collections and the State Board of Social Security and Welfare continued to receive 15%. The balance after all other shares had been allocated was distributed as before: By statute, 40% to the state General Fund and 60% to the several counties. (E- July 1, 1961)

Laws 1962, Chapter 64 exempted tangible personal property purchased in Arizona by a nonprofit charitable hospital. (E- June 21, 1962)

Laws 1965, 3rd Special Session, Chapter 3 increased from 1% to 2%, the tax rate levied upon gross proceeds from sales or gross income of persons engaged in the business of preparing food for human consumption. (E - June 29, 1965)

Laws 1966, Chapter 23 exempted gross proceeds or gross income of events sponsored by the Arizona State Fair or County Fair Commissions. (E- July 23, 1966)

Laws 1967, Chapter 56 exempted gross proceeds or gross income from sales of thermal energy or electrical energy sold to distributors. (E- March 14, 1967)
Laws 1967, 3rd Special Session, Chapter 2 added an exemption for gross proceeds or gross income from the sale of 8 categories of machinery used in manufacturing, mining, telephone and telegraph communications, electrical power production and transmission, transportation by pipeline of oil, gas, water or coal slurry, airline operations, railroad operations and oil and gas production. (E - July 1, 1968)

Laws 1967, 3rd Special Session, Chapter 3 increased the types of property subject to the 2% tax on rentals of real property. Properties leased or rented under a long-term contract entered into prior to December 1, 1967 were exempted until December 1, 1972 provided that the terms of the contract were not changed. This law also imposed a 2% tax on rentals of tangible personal property. Before enactment of this provision, the tax on rentals of personal property applied to automobile rentals only. (E - March 22, 1968)

Laws 1967, 3rd Special Session, Chapter 8 exempted gross proceeds from sales or gross income from sales of prescription drugs. (E- March 22, 1968)

Laws 1972, Chapter 15 exempted from the Transaction Privilege Tax, job printing, engraving, embossing, and copying sold to persons possessing Transaction Privilege Tax licenses, which were issued in this state to resell such property. (EFA - June 30, 1972)

Laws 1972, Chapter 93 exempted from the Transaction Privilege Tax sales of electricity, current, natural or artificial power or gas, and water to a distributor who possessed a Transaction Privilege Tax License, issued in this state to resell such property. (E - August 13, 1972)

Laws 1972, Chapter 142 established the Department of Economic Security and provided that the share of privilege taxes formerly allocated to the State Board of Social Security and Welfare was dedicated instead to the new Department. (Effective by Executive Order of the Governor, but no later than July 1, 1973)

Laws 1972, Chapter 190 exempted the gross income derived from the use of certain coin-operated equipment from the Transaction Privilege Tax. (E- August 13, 1972)

Laws 1973, Chapter 123 created the Department of Revenue and transferred the responsibility for the tax collection from the State Tax Commission to the new Department. (E - July 1, 1974)

Laws 1974, Chapter 149 reinstated the exemption for properties leased or rented under a long-term contract entered into prior to December 1, 1967. Property owners were only allowed to claim the exemption if a Rental Occupancy Tax had been paid on the property. (EFA - December 31, 1974)

Laws 1974, 1st Special Session, Chapter 2 exempted leasing or renting lodging facilities which have been occupied 90 consecutive days by the same persons. A 2% tax was still applicable to rents paid during the first 90 days of residence. The 1/4% tax on the gross receipts of persons in the business of slaughtering, packing and processing of meat for human consumption was repealed. (E - July 1, 1974)

Laws 1975, Chapter 17 exempted proceeds from the manufacture and publication of books from the Transaction Privilege Tax. (E - September 12, 1975)

Laws 1975, Chapter 43 exempted the amount which a landlord charges a tenant for utilities from the Transaction Privilege Tax, when the charge is based on an individual utility meter reading. (E - September 12, 1975)

Laws 1976, Chapter 49 exempted the sale price of land from the Transaction Privilege Tax on contracting. (E - May 26, 1976)

Laws 1976, Chapter 158 changed the payment due date for taxpayers whose estimated annual Transaction Privilege Tax liability is $200 or less. (E - January 1, 1977)

Laws 1977, Chapter 42 exempted solar energy devices from the Transaction Privilege Tax on retail sales. This exemption expired after December 31, 1984. (E - August 27, 1977)

Laws 1977, Chapter 108 provided that sales of $1,000 or less made to residents of Mexico shall be exempt from the Transaction Privilege Tax until December 31, 1979 if made within 30 miles of the Mexican border. (E - August 27, 1977)

Laws 1977, Chapter 152 exempted buses sold to or purchased by bus companies holding certificates of convenience. An exemption was also added for airplanes and related equipment sold to foreign governments or non-residents for use outside this state. (E - August 27, 1977).

Laws 1977, Chapter 172 granted an exemption from the Transaction Privilege Tax for tangible personal property purchased by nonprofit licensed hospitals, nursing care institutions, and residential care institutions. (E - January 1, 1978)

Laws 1978, Chapter 33 exempted sales of tangible personal property by non-profit charitable organizations from the Transaction Privilege Tax. Personal property leased to licensed hospitals, nursing care institutions and residential care institutions was also exempted by this law, when the institutions were not used or held for profit. (E - September 3, 1978)

Laws 1978, Chapter 97 replaced the 1% Transaction Privilege Tax on contracting in general with a 1% Transaction Privilege Tax on prime contractors. Subcontractors were exempted from taxation on services performed for a prime contractor. A standard deduction of 35% of gross receipts was established as the means of excluding payments to labor from a contractor's taxable income. (Contracting labor was originally exempted from the privilege tax under Laws of 1937, 1st Special Session, Chapter 2.) Persons operating as an owner-builder were no longer subject to the tax on contracting, as long as they did not sell the property under construction for at least 24 months after completion. Instead, these individuals were subject to a separate 1% tax on tangible personal property purchased for incorporation into a structure, development or other realty improvement. (Effective for contracts entered into on or after January 1, 1979)

Laws 1978, Chapter 121 established exemptions from the Transaction Privilege Tax for the sale of prosthetic devices, insulin, syringes purchased with insulin, eyeglasses, and similar purchases. (E - September 3, 1978)

Laws 1978, Chapter 195 exempted buses or other urban mass transit vehicles when purchased by bus companies operated by a government entity or otherwise used in a government-controlled mass transportation program. (E - September 3, 1978)

Laws 1978, Chapter 211 repealed the 90-day tax on receipts from the rental of properties which serve as the lessee's principal place of residence. (E - January 1, 1979)

Laws 1979, Chapter 78 imposed a tax on dealers of manufactured housing similar in effect to the tax on prime contractors. (E - July 21, 1979)

Laws 1979, Chapter 146 exempted gross proceeds or gross income received by prime contractors from sales of solar energy devices. This exemption remained in effect until December 31, 1989. Under this law, the exemption for retail sales of solar energy devices was extended through December 31, 1989. (E - July 21, 1979)

Laws 1979, Chapter 200 exempted the sale of tangible personal property to non-residents when the property was used outside the state and the vendor shipped or delivered the property out of this state. (E - July 21, 1979)

Laws 1980, 2nd Special Session, Chapter 8 repealed the state Transaction Privilege Tax on food items intended for "home consumption", and established a method for reimbursing the cities and counties for their share of the revenue loss. Enactment of these provisions was conditional on the passage of Laws of 1980, 2nd Special Session, Chapter 9 and 4 Constitutional amendments that were approved by the voters in a special election held on June 3, 1980. (EFA - June 30, 1980)

Laws 1980, 3rd Special Session, Chapter 2 established an exemption for sales of use fuel that are subject to the Use Fuel Tax. (RTYBFA - December 31, 1976)

Laws 1980, Chapter 62 included newspaper subscription income into the publication category and exempted sales of solar energy devices until December 31, 1989. (Applied retroactively to tax periods beginning from and after December 31, 1975.)

Laws 1980, Chapter 70 change the due date for payment of the Transaction Privilege Tax to the 1st day of the second month following the month in which the tax accrues. A delinquency date was established to be 5 days after the due date. The Department was given authority to adjust the payment period for taxpayers with annual tax liabilities of less than $500. The interest rate imposed on deficient tax payments was increased from 6% to 12% per year. (EFA - August 1, 1980)

Laws 1980 Chapter 111 provided that the Transaction Privilege Tax on the leasing or renting of real property will be levied only once monthly per individual piece of property. In the past, each lease and sublease was taxed, leading to a pyramid effect. (EFA - June 30, 1980)

Laws 1980, Chapter 149 changed the definition of the Transaction Privilege Tax base to exclude amounts paid for sales taxes imposed by municipalities in this state. (E - July 31, 1980)

Laws 1981, Chapter 110 removed the requirement that a contractor be licensed by the Registrar of Contractors to qualify for an exemption from the Transaction Privilege Tax on purchase of tangible personal property. (E - July 25, 1981)

Laws 1981, Chapter 130 changed the provision that exempts sales of fuel from the Transaction Privilege Tax when a Use Fuel Tax or Motor Vehicle Fuel Tax has been paid. Effectively, the change authorized the Department of Revenue to collect the tax on sales of fuel used in off-road vehicles, when the Use Fuel Tax or Motor Vehicle Fuel Tax has been paid but is refundable to taxpayers. (E - July 1, 1982)

Laws 1981, Chapter 190 provided that amounts charged by auto leasing firms for Vehicle License Taxes and Fees may be excluded from their taxable gross receipts when these amounts are separately billed and paid by the lessee. (E - July 25, 1981)

Laws 1981, Chapter 321 extended the coverage of the Transaction Privilege Tax to include the taxable activities of the state and any of its counties, cities, towns, districts and other political subdivisions, except public school districts. The law also established new exemptions for the following (E - July 25, 1981):

(1) Sales by bookstores of textbooks required by state universities and community colleges.
(2) Sales of food by a state university or its designee when the sales are made on-campus to students with validated meal tickets or to patients purchasing or consuming food at the Arizona Health Sciences Center.

Laws 1981, 2nd Special Session, Chapter 2 provided for a further distribution of the state's share of Transaction Privilege Taxes. The distribution is based on the state's share of tax collections from the sale of autos and auto-related products. The tax on sales of autos and auto-related products is represented by 23% of the tax on retail sales. When growth in taxable retail sales exceeds 7% per year, the amount received from growth in excess of 7% per year is distributed to the Highway User Revenue Fund in the following year. Originally, the amount transferred under this provision was used to reduce the gas tax rate, but this requirement was repealed by Laws 1982, Chapter 5.

(EFA - June 30, 1983 but, in fiscal year 1982-83, an absolute amount will be transferred from the state's share of the Transaction Privilege Tax to the Highway User Revenue Fund.)

Laws 1982, Chapter 7 exempted food purchased by an employer and provided to employees during work without charge.

Laws 1982, Chapter 163 exempted sales of food and drink from the Transaction Privilege Tax when purchased by public schools for preparation and consumption on the premises during school hours. (E- July 24, 1982)

Laws 1982, Chapter 173 exempted sales of food and drink from the Transaction Privilege Tax when these items are sold by community colleges to students using a validated meal ticket. (E - July 24, 1982)

Laws 1982, Chapter 186 established a Transaction Privilege Tax exemption for the sale and installation of groundwater measuring devices that are required by law in groundwater management areas and irrigation non-expansion areas. (E - July 24, 1982)

Laws 1982, Chapter 188 provided for a delayed repeal of the 1% Transaction Privilege Tax on local advertising. The repeal is to be effective from and after December 31, 1985. The law also eliminated the Transaction Privilege Tax on publications sold to retailers for resale. This provision was retroactive to tax periods beginning from and after December 1, 1977.

Laws 1982, Chapter 230 established a Severance Tax on mining and on felling timber and repealed the 1% Transaction Privilege Tax on the production of timber and metalliferous mineral products. The Transaction Privilege Tax on smelting was also repealed by this law. The provisions of this law were effective beginning January 1, 1983.

Laws 1982, Chapter 305 authorized the Department of Revenue to withhold $11,555.55 per month from the amount of Transaction Privilege Taxes distributed to Gila and Santa Cruz Counties. This amount was withheld each month to reimburse the state for appropriations made to alleviate financial emergencies in the two counties. (E - Beginning September of 1982 and Ending in August of 1985).

Laws 1983, Chapter 4 changed the due date for payment of the Transaction Privilege Tax to the 20th day of the month following the month in which the tax accrues. The delinquent date was moved to the day preceding the last day of the month in which they were due (E - April 1, 1983). The law also changed the interest rate on delinquent tax payments to equal the rate established by section 6621 of the Internal Revenue Code, compounded annually. (E - February 11, 1983)

Laws 1983, Chapter 13 authorized the Department of Revenue to withhold any amount in excess of $120,000 per month from the amount of Transaction Privilege Taxes distributed to Greenlee County. This amount was withheld each month in order to reimburse the state for an appropriation made to alleviate a financial emergency within the county. The amount withheld was not to exceed $25,000 in any 1 month. (E - March 1, 1984)

Laws 1983, Chapter 42 exempted the gross receipts of lightweight motor vehicles subject to the Motor Carrier Use Tax. (ER - July 1, 1982)

Laws 1983, Chapter 121 exempted sales of animals used as breeding or production stock. The exemption also applied to sales of breeding or ownership of shares in breeding animals. (E - July 27, 1983)

Laws 1983, Chapter 126 exempted the gross revenue from certain fees that are charged for access to utility services. (ERTYBFA - December 31, 1982)

Laws 1983, Chapter 230 relieved state agencies from payment of sales taxes that were unpaid or paid under protest as of January 1, 1983. This provision only applied to state agencies funded by General Fund appropriations. (E - April 22, 1983)

Laws 1983, Chapter 298 provided that $24,999,996 was distributed from the state's share of the Transaction Privilege Tax to the counties during fiscal year 1983-84. The distribution was made in 12 equal monthly installments. A formula was included to determine each counties share of the total. (E - for the 1983-84 fiscal year)

Laws 1984, Chapter 7 redefined "local advertising" for purposes of transaction privilege and affiliated excise taxes. Applied retroactively from and after April 10, 1979. (E - March 9, 1984)

Laws 1984, Chapter 84 was enacted to clarify the confusion regarding the proper classification of fast food establishments for purposes of Transaction Privilege Taxes. As of June 1, 1984 and thereafter, all fast food establishments will be classified under the "restaurants and bars" category. Thus, there will no longer be a distinction made between sales of food consumed off the premises (previously classified as a "retail" activity) versus food consumed on the premises (treated as a "restaurants and bars" activity). (E - April 12, 1984)

Laws 1984, Chapter 120 prescribed new delinquency dates for transaction privilege and affiliated excise and use taxes. Tax liabilities are delinquent, and thus subject to interest and penalties, if not postmarked on or before the 25th day of the month next succeeding the month of accrual or not received by the Department of Revenue on or before the day preceding the last day of that month next succeeding the month of accrual. (E -August 3, 1984)

Laws 1984, Chapter 134 altered the expiration date of the exemption from transaction privilege and affiliated excise and use taxes for solar energy devices. The exemption expired April 30, 1984. (E - August 3, 1984)

Laws 1984, Chapter 152 prescribed the application of transaction privilege and affiliated excise taxes to owner-builders. Certain owner-builders will be treated as prime contractors for the purpose of taxing the sale of improvements incorporated into real property. The sale of such improvements must be made within 24 months after the improvement is completed to qualify for prime contractor treatment. (E - August 3, 1984)

Laws 1984, Chapter 153 exempted from transaction privilege and affiliated excise taxes the leasing or renting of real property by a parent corporation to a subsidiary or by a subsidiary corporation to another subsidiary of the same parent corporation. (E - August 3, 1984)

Laws 1984, Chapter 170 exempted from the Transaction Privilege Tax sales of food and drink by congressionally chartered veterans organizations. The exemption applies to food and drink prepared for consumption on the premises of the organization. (E - August 3, 1984)

Laws 1984, Chapter 315 exempted from the Transaction Privilege Tax state publications which encourage tourism and travel in Arizona. (E - May 1, 1984)

Laws 1984, Chapter 343 provided an exclusion from transaction privilege tax and affiliated excise taxes for the gross income derived from purchases of telephone or telegraph services which will be used by other persons in providing telephone or telegraph services to final users. Such taxes were levied upon providers of intrastate telephone or telegraph services to final users by persons other than those engaged in the business of transmitting telephone or telegraphic messages from one point to another point in the state. Also, excluded federal excise taxes paid from the gross income from retail sales of heavy trucks.

Laws 1984, Chapter 370 provided a credit against transaction privilege and affiliated excise taxes and use taxes for accounting and reporting expenses. (EFA - June 30, 1985)

Laws 1984, Chapter 371 established a statutory definition of hotels and motels and imposed a 2% Transaction Privilege Tax on such businesses. As of June 1, 1984 the total state transaction privilege and affiliated excise tax rate on hotels and motels was increased from 3.75% to 4.00%. (E - May 5, 1984)

Laws 1985, Chapter 47 identified a new delinquency date for Transaction Privilege Tax reporting. Return must be either: 1) received by the Department of Revenue by the second-to-last business day of the month by mail or hand delivery, or 2) postmarked by the 25th day of the month. (E - April 9, 1985)

Laws 1985, Chapter 104 established a Temporary Transaction Privilege and Use Tax rate for certain new farm crop machinery and equipment. The tax rate was 3% effective April 17, 1985 through June 30, 1986, and declined to 2% for FY 1987 and 1% for FY 1988 at which time the tax was phased-out on June 30, 1988. New machinery and equipment consisting of tractors, tractor-drawn implements, self-powered implements, and drip irrigation lines were exempt. (E - April 17, 1985)

Laws 1985, Chapter 298 combined the various tax categories into one Consolidated Transaction Privilege Tax. There have been no actual tax rate changes although the method of distribution has changed. Previously, the Transaction Privilege Tax was distributed as: 41.40% to the state General Fund, 33.60% to the counties, and 25.00% to the cities. A portion of the state share was then paid to the counties for food tax reimbursement. Now, the funds are split between the "Distribution Base" and the "Non-Shared" categories. The "Distribution Base," which combined the Transaction Privilege Tax and the distributed portion of the Rental Occupancy Tax and Severance Taxes is disbursed as: 36.92% to the state General Fund, 38.08% to the counties, and 25.00% to the cities. The difference adjusts for the counties no longer receiving food tax reimbursements from the state share. The state "Non-Shared" portion combines Education Excise, Special Education Excise, Temporary Business Transaction, and Use Taxes under the new Consolidated Transaction Privilege Tax system. This act applied retroactively to July 1, 1985.

Laws 1985, Chapter 366 established a general 4-year statute of limitations for most taxes. The filing period for a tax protest was set at 45 days after receiving notice for those taxes administered under Title 42 and 43, except the Individual Income Tax which is allowed 90 days after notice is mailed. A Tax Refund Fund was established to handle all tax refunds. Any amount remaining in this fund at the end of each fiscal year in excess of $500,000 is transferred to the state General Fund. (EFA - June 30, 1986)

Laws 1986, Chapter 111 authorized the Department of Revenue to require a taxpayer whose business is of a transient character to file a return and remit Transaction Privilege Taxes on a daily, weekly, or a transaction-transaction basis. (E - August 13, 1986)

Laws 1986, Chapter 135 raised the fee from $5 to $12 when applying for a Transaction Privilege License. Also, the new fee applies to a reissue of such license due to change in ownership or location. (E - August 13, 1986)

Laws 1986, Chapter 151 provided for the use of revisions to the federal census certified by the U.S. Census Bureau in distributing Transaction Privilege Tax revenues among cities and towns. (E - August 13, 1986)

Laws 1986, Chapter 152 exempted churches, fraternal benefit societies, and other non-profit organizations as defined in U.S. Internal Revenue Code Section 501 from the Transaction Privilege Tax on food and drink sales. (E - August 13, 1986)

Laws 1986, Chapter 161 exempted from state and local transaction privilege or sales and use taxes those items purchased with USDA Food Stamps. This was effective from and after September 30, 1986 unless the U.S. Secretary of Agriculture delayed the effective date of section 1505 of the Food Security Act of 1985. As a result of such delay, the effective date was September 30, 1987.

Laws 1986, Chapter 335 transferred the balance of the Tax Protest Fund on June 30, 1986 into the newly established Tax Protest Resolution Fund. The Tax Protest Fund was repealed on July 1, 1986. (E - May 9, 1986)

Laws 1986, Chapter 351 allowed a city or town prior to January 1, 1987 to request the use of the 1980 Decennial Census instead of a special census for the apportionment of the Distribution Base of the Transaction Privilege Tax and various transportation taxes, fees, and fines. (E - August 13, 1986)

Laws 1986, Chapter 361 established a Telecommunication Service Assistance Program for low-income elderly consumers. This bill also provided a Transaction Privilege and Use Tax credit for local telephone companies equal to the amount of reduction attributable to the assistance provided under this program. This act was originally repealed from and after June 30, 1989, but has been extended through June 30, 1991. (EFA - June 30, 1987)

Laws 1986, Chapter 362 established an Electric and Natural Gas Utility Assistance Program for low-income elderly consumers. This bill provided a Transaction Privilege and Use Tax credit for an electric or natural gas utility company equal to the amount of reductions attributable to the rate assistance provided under this program. The annual assistance given under this program shall not exceed $3,500,000. This act was originally repealed from and after June 30, 1989, but has been extended through June 30, 1991. (EFA - June 30, 1987)

Laws 1986, Chapter 371 exempted from Transaction Privilege and Use Taxes the expendable materials used directly in the production of semiconductor products. New or used spare or replacement parts which are not normally expected to last more than 1 year are not exempted. Also clarified that Transaction Privilege and Use Taxes are assessed on nuclear fuel at the value of the purchased price of uranium oxide used in producing such fuel. (E - August 13, 1986)

Laws 1986, Chapter 402 instituted a Taxpayer Assistance Office within the Department of Revenue and defined its responsibilities. Also, a Taxpayer's Bill of Rights was established. (E - August 13, 1986)

Laws 1987, Chapter 32 allowed a holder of an in-state producer's license to sell beer as a retailer if this manufacturer also holds an on-sale retail license and sells only the produced beer through his own on-sale retail premises which must be located on or adjacent to the production site. Also, subjected this manufacturer-retailer to the Luxury and Privilege Tax for such sales. (E - August 18, 1987)

Laws 1987, Chapter 34 exempted from state and local Transaction Privilege and Use Taxes the items purchased with food instruments issued under the Child Nutrition Act which is the Special Supplemental Food Program for Women, Infants, and Children. (EFA - September 30, 1987)

Laws 1987, Chapter 44 allowed a corporation with at least 80% ownership in its subsidiaries to lease or rent tangible personal property to its subsidiaries or between subsidiaries of the same parent without incurring Transaction Privilege Taxes. This is possible provided taxes were paid on the gross proceeds or income accruing from the initial sale of the personal tangible property. (E - August 18, 1987)

Laws 1987, Chapter 69 exempted from Transaction Privilege Tax and Use Tax ice and dry ice used for packing, shipping, or transporting food. (E - August 18, 1987)

Laws 1987, Chapter 183 exempted from Transaction Privilege Tax the sale of job printing, engraving, embossing, or copying to a person who has a Transaction Privilege License who either resells or distributes such work free in connection with the publication of newspapers or magazines.

Laws 1987, Chapter 203 required licensed housing contractors and manufacturers whose principal business is out of state or whose business in this state has been conducted less than one year to post a Surety Bond to ensure payment of Transaction Privilege Taxes. Exempted a licensee who renews, transfers, or applies for a license from posting bond if, for the two years prior to application, Transaction Privilege Tax payments were made on time. (E - August 18, 1987)

Laws 1987, Chapter 265 reduced the amount allowed as a credit against Transaction Privilege Tax for accounting and reporting purposes. The credit is equal to 8/10% of the tax due, or $5,000, whichever amount is less. Previously, the credit was the lesser of 8/10% of tax due or $10,000. (E - August 18, 1987)

Laws 1987, Chapter 268 provided that remote property of a city or town used to acquire water is considered taxable property for determining the state sales tax distribution to counties and the levy limit of those counties that pay certain voluntary contributions in lieu of property taxes. (E - August 18, 1987)

Laws 1987, Chapter 352 exempted from Transaction Privilege Tax ambulances or ambulance services certified by the Department of Health Services or provided by municipalities in counties with population less than 150,000. (ER - July 1, 1982)

This bill also exempted from Transaction Privilege Tax the retail sales of precious metal bullion whose value depends on its contents and not on its form and monetized bullion that is or has been used as a medium of exchange.

However, the sale of coins or other forms of money for manufacture into jewelry or works of art is subject to the tax. (ER - July 1, 1987)

Laws 1987, 2nd Special Session, Chapter 4 exempted from Transaction Privilege and Use Taxes certain utility, contracting, and construction activities connected to federal research projects with an initial construction cost in excess of $2 billion within Arizona. This legislation was conditional on the federal superconducting super collider locating in this state by January 1, 1990. This law was never enacted as the super collider was located in Texas.

Laws 1987, 3rd Special Session, Chapter 1 placed a 63.35% cap on any county's share of the distribution to counties from Transaction Privilege Tax revenues. Any amount that exceeds this percentage will be allocated to the other counties according to a two-step distribution formula. In another provision, a county that is not part of a community college district and has less than a 1% share of the Transaction Privilege Tax Distribution Base shall have the state pay for its non-resident community college services; subsequently, that county's portion of the Transaction Privilege Tax revenues will be reduced by the amount paid by the state. The 63.35% cap was removed under Laws 1990, Chapter 391. (E - July 22, 1987)

Laws 1988, Chapter 56 extended the termination of the bill that established the Telecommunication Service Assistance Program to June 30, 1990 from June 30, 1989. This bill (Laws 1986, Chapter 361) allowed a credit against the Transaction Privilege and other Affiliated Excise Taxes for phone companies that provided rate assistance to certain elderly and low income customers. (E - September 30, 1988)

Laws 1988, Chapter 93 excluded the amount of federal excise tax on use fuel for off-road purposes in defining the gross proceeds or income from such sales under the retail classification. (E - May 20, 1988)

Laws 1988, Chapter 161 provided for court injunctions against delinquent taxpayers, thus preventing them from doing business until such taxes are paid or a Surety Bond is posted. Required out-of-state prime contractors to post a Surety Bond for payment of tax due on contracts of $50,000 or more unless a continuous operated facility has been maintained in Arizona with at least one full-time employee for 12 consecutive months. Also recodified existing statutes into appropriate business classifications to provide greater clarity. (E - July 1, 1989)

Laws 1988, Chapter 271 was the Omnibus Revenue Bill for FY 1989. The following provisions affected the Transaction Privilege Tax:

(1) Reduced the maximum monthly accounting allowance from $5,000 to $500. (EFA - June 30, 1988)
(2) Raised the tax rate on businesses under the transient lodging classification (hotels/motels) from 4% to 5.5% starting from and after July 31, 1988.
(3) Designated $2,000,000 to the Tourism Fund from the state's share of the Distribution Base. (E - July 1, 1988)
(4) Increased tax rate on rentals of real property from 3.75% to 5%. Clarified that tax under this classification applies to commercial rentals or leases of real property with one or more lease agreements. (EFA - July 31, 1988)
(5) Repealed the Transaction Privilege and Use Tax exemption for expendable materials used in the production of semiconductor products. (EFA - July 31, 1988)

Laws 1988, Chapter 303 exempted the gross receipts from admission fees charged by non-profit musical, dramatic or dance groups, a museum, zoo, or botanical garden. Certain non-profit health care organizations are also exempted from the Transaction Privilege Tax on tangible personal property. This bill clarified the exemption of non-profit charitable organizations leasing or purchasing property exclusively for training, job placement or rehabilitation programs, or testing for mentally or physically handicapped persons, though these taxes have historically never been collected. (E - September 30, 1988)

Laws 1988, Chapter 332 exempted the sale of motor vehicles from taxation under the retail classification if the purchaser's resident state does not allow a corresponding Use Tax exemption and a Special 30-Day Non-Resident Registration has been secured. This bill also exempted the sale of a motor vehicle to an enrolled Indian tribe member who resides on that respective reservation. (E - July 13, 1988) Clarified that Dial-A-Ride and special needs transportation services are exempt from the Transaction Privilege Tax. (R - June 30, 1982)

Laws 1989, Chapter 132 was the Tax Correction Bill for 1989. The corrections affecting the Transaction Privilege Tax were (E - May 3, 1989):

(1) Raised tax rate under the commercial lease classification from 3.75% to 5%.
(2) Raised tax rate under the transient lodging classification from 4% to 5.5%.

Laws 1989, Chapter 244 exempted the leasing of real property for boarding horses. Also, retroactively exempted the recreational leasing of animals, hayrides, animal-drawn amusement rides, and motor vehicle tours until December 31, 1988; but after this date, these activities are subject to the Transaction Privilege Tax. Any tax, penalties, or interest paid before January 1, 1989 will not be refunded unless the taxpayer provides proof that the taxes paid will be returned to customers. (RFA - December 31, 1988)

Laws 1989, Chapter 299 exempted qualified nonprofit organizations associated with major league baseball teams from the retail, amusement, restaurant, and commercial lease classifications of the transaction privilege and affiliated excise taxes. (RFA -June 30, 1985) From and after December 31, 1989, a municipality or special taxing district is prohibited from levying a transaction privilege, sales, use, or similar tax on exhibition events of such organizations.

Laws 1989, 2nd Special Session, Chapter 1 required taxpayers, with an annual liability of $100,000 or more in the preceding calendar year or who can reasonably expect to reach this amount in the current year, to make an estimated payment for the first 15 days of each month. The estimated payment can be either:

(1) One-half of the previous month's actual liability.
(2) The actual tax liability for the first 15 days of current month.

The due date is the 20th day of each month, while the delinquency date is the 25th day if mailed or the business day preceding the last business day of the month. The balance for the month is paid when filing the normal monthly return. (E - May 1, 1990)

Laws 1990, Chapter 103 prescribed certain commodities traded on a commodities futures market as exempt from Transaction Privilege, Use, and Property Taxes. The commodity must be consigned for resale in a warehouse in Arizona in which it is deliverable on a futures contract. (E - April 23, 1990)

Laws 1990, Chapter 156 extended the repeal of the Telecommunications Service Assistance Program and the Electric and Natural gas Utility Assistance Program and their coincident sales tax credits from June 30, 1990 to June 30, 1991. (E - April 30, 1990)

Laws 1990, Chapter 239 exempted from the Transaction Privilege Tax nonprofit organizations associated with national touring professional golf tournaments or rodeos. The exemption is retroactive to reporting periods from and after December 31, 1985, for golf tournaments and July 1, 1984 for rodeos. Municipalities are prohibited from imposing a similar tax on such organizations.

Laws 1990, Chapter 251 suspended through March 31, 1993 the transaction privilege and affiliated excise taxes on 1) single leases of historical property to the U.S. government and 2) leases of property to the U.S. Postal Service for use as a postal facility. (E - May 24, 1990)

Laws 1990, Chapter 316 exempted the gross proceeds of sales or gross income from food sales by a retailer to the following organizations: 1) licensed day care centers, 2) private or parochial K-12 schools, which may be attended in substitution for a public school, 3) certain adult care facilities and 4) certain non-profit organizations which provide food to persons at no or nominal charge. (R - July 1, 1980)

Laws 1990, Chapter 332 reduced each municipality or county's share of the state's Transaction Privilege or Severance Tax revenues if a court determines that such taxes were illegally collected and must be refunded. (E - September 27, 1990)

Laws 1990, Chapter 391 allocated 75% of the annual fiscal year growth in revenues from a one-half percentage rate portion of the total tax rate imposed on the transient lodging classification to the Tourism Fund. This amount will be taken from the state General Fund portion of the Distribution Base, beginning with FY 1991. Also, the maximum distribution of 63.35% to any single county was replaced with a provision which stipulates a minimum year-to-date distribution for any county equal to the amount such county received for the same period in FY 1986-87. This provision will expire on June 30, 1992. (E - July 3, 1990)

Laws 1990, 3rd Special Session, **Chapter 3** was the state's Tax Reform Act of 1990. Three major provisions affected the Transaction Privilege Tax:

(1) The accounting allowance offered to businesses for costs associated with accounting and reporting the Transaction Privilege and Severance Taxes was eliminated.
(2) The tax rate for the commercial lease (rental of real property) classification will be phased down. The current rate is 5%, but beginning January 1, 1991 the rate decreases to 4.75% and in calendar year 1992 and thereafter, the rate will be 4.5%.
(3) $10,000,000 in FY 1991 and FY 1992 for a total of $20,000,000 will be distributed to counties for property tax relief. The funds will be taken from the state General Fund portion of the Distribution Base. One-half of the monies shall be distributed on November 1st and ½ on May 1st in each fiscal year. [See General Property Taxes - Real and Secured]

Laws 1990, 3rd Special Session, Chapter 9 incorporated the distribution of the Rental Occupancy Tax into the Transaction Privilege Tax by requiring 2/3 of the revenues received be designated as Distribution Base and deposited into the Transaction Privilege and Severance Tax Clearing Account and eliminated the Special Rent Tax Account. The remaining 1/3 of revenues shall be credited to the state General Fund (E - September 27, 1990). Conformed the due and delinquent date for the estimated Transaction Privilege Tax payment to that of the regular payment which is the 20th and 25th day of the month, respectively. (EFA - April 30, 1990)

Laws 1991, Chapter 31 established a membership camping classification for Transaction Privilege Tax purposes. A tax rate of 5% is applied to the amount of periodic assessments, dues, charges, or fees collected from the owners of membership contracts. Membership camping does not include mobile home parks or camping and recreational facilities which are open to the general public for a fee based on use rather than membership. The tax is charged only on the portion of business income collected from owners of membership contracts whose primary residence is in Arizona. (ERFA - June 30, 1991)

Laws 1991, Chapter 82 repealed the termination of the Telecommunications Service Assistance Program which was set for June 30, 1991. This bill permanently establishes the telephone discount program for elderly low-income persons. Eligible recipients receive a 17% discount. (E - May 13, 1991)

Laws 1991, Chapter 128 clarified in statute that the Transaction Privilege Tax does not apply to sales of airplanes, navigational, and communication instruments and related equipment which is sold to a corporation provided the following requirements are met: (1) the corporation is not incorporated in Arizona, (2) the principal office is located out of this state, and (3) the sold property will not be used within Arizona, except for removing such property from this state. This act is retroactive to August 27, 1977. (E - September 21, 1991)

Laws 1991, Chapter 158 defined certain new machinery or equipment used for commercial production of agricultural, horticultural, viticultural, and floricultural crops in Arizona for Transaction Privilege and Use Tax exemption purposes. Under the retail classification each machinery that has never been sold and has been leased for less than two years are exempt. However, under the personal property rental classification, these new equipment which have been leased less than two years are not exempt from taxation. (E - September 21, 1991)

Laws 1991, Chapter 176 provided a sales tax exemption for solar energy devices which are (1) sold by a registered solar energy retailer or (2) supplied and installed by a registered solar energy contractor. The gross income or costs due to such devices can be deducted from the respective tax base. This exemption will expire from and after December 31, 1996. (E - September 21, 1991)

Laws 1991, Chapter 196 prohibited the distribution of any refunds of taxes imposed by a law that was declared invalid by a final court judgement until the Legislature makes a specific appropriation for that purpose. State funds to counties for such invalid taxes collected are also subject to this provision. (E - September 21, 1991)

Laws 1991, Chapter 200 provided for the Transaction Privilege Tax and Use Tax exemption for (1) medical oxygen prescribed by a licensed medical, dental, or veterinarian physician and (2) certain durable equipment having a federal Health Care Financing Administration designation and prescribed by a licensed physician, podiatrist, or homeopathic physician. (RFA - December 31, 1979)

Laws 1991, Chapter 212 required cities and towns to make voluntary contributions to the state, county, school districts, and other taxing districts under Title 48 in lieu of property taxes on remote municipal property. Water may not be transported by a municipality from the remote property unless this voluntary contribution has been paid to the state beginning in the year the property was purchased or January 1, 1992, whichever is later. The Legislature intended to compensate counties or political subdivisions in which the remote property is located for their reduced taxing and bonding capacity due to the municipal property being removed from their tax rolls. Therefore, the total contribution collected is distributed each month beginning in September through June to "eligible political subdivisions" where the remote municipal property (water farm) is located. One-tenth of the contribution amount is distributed each month through the distribution base of the Transaction Privilege Tax. (E - September 21, 1991)

Laws 1991, Chapter 290 clarified the responsibility for payment of the Transaction Privilege Tax (TPT) under the prime contracting classification. If a person provides to a contractor a certificate which states that person is the prime contractor for a project and is liable for the Transaction Privilege Tax, then the contractor who is not responsible for the tax may exclude any amounts received for the project from the gross proceeds or income of the business. The Department of Revenue (DOR) shall prescribe the certificate form and may disregard any certificate which the contractor believes contains erroneous or incomplete information. DOR will not assess any penalty or interest on unreported tax liability from proceeds received from August 3, 1984 through June 30, 1991 due to construction of off-site improvements. The tax liability must be reported and paid by December 31, 1991 to DOR in a manner satisfactory to the Department. Another provision clarified that the TPT License Reissuance Fee apply only to a change in business address but not in the mailing address. (E - September 21, 1991)

Laws 1991, Chapter 296 directs the State Treasurer for FY 1992 to withhold $87,543,100 from the counties' distribution of Transaction Privilege Taxes in order to pay for the one-time shift in funding responsibility for the Arizona Long-Term Care System (ALTCS). Adjustments were accordingly made to the county expenditure limitations and the state appropriation limitation. (E - June 28, 1991)

Laws 1991, 4th Special Session, Chapter 4 was 1 of 4 acts that implemented an AHCCCS Disproportionate Share Program which is subject to federal approval. Beginning after the effective date of this act, $39,719,400 and $7,777,800 in state Transaction Privilege Tax revenue-sharing will be withheld from Maricopa and Pima counties, respectively. The first $26,554,050 shall be deposited in the state General Fund to reimburse the state General Fund for spending $51,708,100 in FY 1992, while the remainder is reserved for FY 1993. Another provision required Maricopa and Pima counties to pay the state's portion of the Homeowner's Property Tax Rebate to school districts in their respective counties up to the same amounts withheld from their Transaction Privilege Tax distributions as stated above. Likewise, the first $26,554,050 in savings will reimburse the state General Fund for spending in FY 1992 and the remainder is reserved for FY 1993. The net FY 1992 benefit to the state General Fund of $5,000,000 will help balance the budget for FY 1992. This act was conditional on the enactment of House Bill 2004, 40th Legislature, 4th Special Session, Chapter 3. (E - March 16, 1992)

Laws 1992, 7th Special Session, Chapter 2 amended the original AHCCCS Disproportionate Share Program passed during the 4th Special Session in 1991. This bill provided an additional $10,000,000 be placed in the state General Fund for FY 1992 instead of the FY 1993 holding fund and instructed the State Treasurer to deposit in the state General Fund instead of the FY 1993 holding fund an additional $5,000,000 withheld from county shared Transaction Privilege Tax revenues. This act was conditional on the enactment of House Bill 2004, Chapter 3, 4th Special Session. (E - June 30, 1992)

Laws 1992, Chapter 16 allowed the Department of Revenue to require tax payments by electronic funds transfer or other immediately available monies from any taxpayer who had a tax liability of $20,000 or more (excluding Individual Income Tax) in the preceding taxable year. This applied for tax years or reporting period starting on or after January 1, 1993. Electronic funds transfer is required for the following (E - September 30, 1992):

(1) Quarterly withholding tax payments by persons who had a quarterly withholding average during the prior year of $100,000 or more.
(2) Estimated income tax payments by corporations with a prior year tax liability of $100,000 or more.

Laws 1992, Chapter 29 excluded from the commercial lease classification the lease or rental of real property and improvements primarily used for religious worship by nonprofit organizations whose earnings do not accrue to any individual or private shareholder, and is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. This bill effectively exempts such leases from the Transaction Privilege Tax. (RTYBFA - June 30, 1992)

Laws 1992, Chapter 48 broadened the Transaction Privilege Tax deduction for job printing to include sales by Arizona residents who ship or deliver materials for use out of state. Sales were defined to include job printing, engraving, embossing, and copying. Previous state law permitted this deduction only to nonresidents. (E - September 30, 1992)

Laws 1992, Chapter 61 allowed a city or town to conduct and certify an alternative special census prior to July 1, 1993 by contract with the U.S. Census Bureau for purposes of state shared revenues in the Transaction Privilege, income, highway user, and Vehicle License Taxes. The State Treasurer is not to accept another special census until after the year 2000. (E - September 30, 1992)

Laws 1992, Chapter 63 excluded from the tax base the manufacturers' cash rebate portion of gross sales proceeds from motor vehicles, if the buyer assigns the rights of the rebate to the retailer. (E - September 30, 1992)

Laws 1992, Chapter 96 provided a tax refund for motion picture production companies who, in the course of 12 months, produce one or more motion pictures and spend $1,000,000 in Arizona toward production or filming. To qualify for the refund, companies must file pre- and post-filming applications. The refund is 50% of the Transaction Privilege Tax and Use Tax on tangible personal property purchased in Arizona, and paid by the motion picture production company. (RTYBFA - June 30, 1992)

Laws 1992, Chapter 135 provided an emergency Transaction Privilege Tax exemption for (1) sales of prosthetic appliances and certain durable medical equipment prescribed or recommended by licensed chiropractors, nurses, and naturopathic or homeopathic physicians, (2) sales of glucose test strips, (3) sales, lease, or rental of new semitrailers or semitrailer parts which are manufactured in Arizona and sold to persons licensed for interstate commerce, and (4) admission sales to football games operated by nonprofit organizations whose earnings do not accrue to any individual or shareholder. Also provided a Use Tax exemption for glucose test strips. (E - June 2, 1992)

Laws 1992, Chapter 162 exempted from Transaction Privilege and Use Tax seeds and other propagative material used by commercial crop producers in Arizona. This bill also changed the current Transaction Privilege Tax classification name of "animal feed" to "feed," clarified that the feed classification applies to livestock and poultry feed. The bill simplified the computation of a county's share of feed tax by deeming the taxpayer's place of business is in the county where the sale is made. The exemption for seeds and other propagative material applied retroactively to tax periods beginning from and after June 30, 1984. However, refunds are only allowed for sales tax paid during the period from April 1, 1992 until September 30, 1992. (E - September 30, 1992)

Laws 1992, Chapter 173 required that any additional charge collected from a customer to pay the Transaction Privilege Tax, or any excess charge which is identified as being imposed to cover the Transaction Privilege Tax must be remitted to the Arizona Department of Revenue. (E - September 30, 1992)

Laws 1992, Chapter 215 expanded the exemption of reimbursements to the lessor for utility service on commercial leases by eliminating the requirement to install individual meters for each tenant. (E - September 30, 1992)

Laws 1992, Chapter 217 exempted the sale of used manufactured buildings from the Transaction Privilege Tax. Furthermore, subcontractors who can demonstrate that services performed pertaining to manufactured buildings was within the control of a prime contractor or a dealership of manufactured buildings are not subject to the Transaction Privilege Tax. This bill also clarified that the sales price of furniture and fixtures not incorporated or attached to manufactured buildings are excluded from taxation under the prime contracting classification, but may be taxed under the retail classification. Finally, manufactured buildings and dealership of manufactured buildings were defined for tax purposes. (E - September 30, 1992)

Laws 1992, Chapter 222 expanded the Transaction Privilege and Use Tax exemption on aircrafts to include the following (E - September 30, 1992):

(1) Federally approved flight simulators.
(2) Tangible personal property that is permanently affixed or attached as a component part of an aircraft.
(3) Accessories and equipment that physically contact aircraft during overall carrier operation.
(4) Machinery, tools, equipment, and related supplies used in repairing, remodeling, or maintaining aircrafts, its engines or component parts by or for a licensed carrier.

Laws 1992, Chapter 237 extended a Transaction Privilege Tax exemption in the telecommunication classification to microwave television transmission systems. (E - September 30, 1992)

Laws 1992, Chapter 238 provided a Transaction Privilege and Use Tax exemption for machinery or equipment used in research and development. The bill specifically defined research and development and described applications qualified and those not qualified for the exemption. This act applied prospectively only. (EFA - December 31, 1992)

Laws 1992, Chapter 290 was 1 of 7 "Omnibus Reconciliation Bills" necessary to implement the General Appropriations Act for FY 1993. Affecting the Transaction Privilege Tax was the provision requiring the Legislature to annually appropriate from the state's portion of the Distribution Base an amount of $2,900,000 to the Water Quality Assurance Revolving Fund. (EFA - August 31, 1992)

Laws 1992, Chapter 292 was 1 of 7 "Omnibus Reconciliation Bills" necessary to implement the General Appropriations Act for FY 1993. This act amended the FY 1992 Disproportionate Share Program established by Laws 1991, Chapter 4 of the 4th Special Session by reducing the appropriations in line with the final approved federal funding levels. Also, the Disproportionate Share Program was extended for FY 1993 as $43,145,900, and $8,448,700 in state Transaction Privilege Tax revenue-sharing will be withheld from Maricopa and Pima counties, respectively, beginning after October 1, 1992. (ER - June 30, 1992)

Laws 1992, Chapter 295 established a Defense Contractor Restructuring Program to assist Arizona-based qualified defense contractors to attract new Department of Defense contracts, diversify commercially, consolidate facilities into the state, and adopt new technologies. The tax incentives are as follows (Also see page 3):

(1) Qualified Defense Contractors (ETYBFA - June 30, 1993):

- Amortization of one-half the federal time period of capital investment in solely private commercial activity.
- A declining 5-year nonrefundable income tax credit for net defense employment increases or net private commercial employment increases, but not both.
- A nonrefundable income tax credit of up to 40% of the portion of property taxes paid during the taxable year.

(2) Military Reuse Zone:

- A progressive 5-year nonrefundable income tax credit for net aviation-related manufacturing employment gains for business located in a military reuse zone. (ETYBFA - June 30, 1993)
- A Class 8 commercial and industrial property established for property located in a military reuse zone and for aviation-related manufacturing. The assessment ratio will be 5% of full cash value. This is effective beginning in tax year 1993.

- A sales tax exemption for military reuse zone construction contracts entered into within 5 years of the zone's establishment with an aviation or aerospace company. (E - September 30, 1992)

Laws 1992, Chapter 333 eliminated the monthly payment of estimated Transaction Privilege Taxes by taxpayers with an annual tax liability of $100,000 or more; instead, these taxpayers must remit a single estimated payment in June of each year. The estimated payment is equal to either (1) One-half of the actual tax liability for May of the current year or (2) the actual tax liability for the first 15 days of June. (EFA - June 30, 1993)

Laws 1993, 2nd Special Session, Chapter 9 was 1 of 6 "Omnibus Reconciliation Bills" necessary to implement the General Appropriations Act for FY 94. Affecting the Transaction Privilege Tax was the provision phasing out the Transaction Privilege Tax imposed on commercial lease properties. The current rate is 4.5%. The phase-out period is effective beginning July 1, 1993 as follows (E - June 15, 1993):

Tax Period	Rate
7-1-93 to 6-30-94	4%
7-1-94 to 6-30-95	3%
7-1-95 to 6-30-96	2%
7-1-96 to 6-30-97	1%
7-1-97 and after	No tax

Laws 1993, Chapter 22 made the false certification of a Transaction Privilege Tax exemption a liability to the purchaser in an amount equal to any tax, penalty, and interest that would have been paid. Also clarified that the amount shall be treated as a Transaction Privilege Tax to the purchaser, and as tax revenues collected from the seller for distribution base purposes. (E - July 17, 1993)

Laws 1993, Chapter 49 limited the 10% penalty for failure to make a required estimated Transaction Privilege Tax payment to the first month the estimated payment requirement applied. The penalty abatement does not apply if the Department of Revenue had notified the person in writing of the requirement or the person shows the estimated tax on the return and fails to make timely estimated payments, then regular penalties apply on a month-to-month basis. The bill is retroactive to February 21, 1990 and is repealed from and after June 30, 1993. (E - April 5, 1993)

Laws 1993, Chapter 56 exempted from the Transaction Privilege and Use Tax certain equipment, technology or related supplies that are only useful to assist physically disable persons. (RFA - September 30, 1993)

Laws 1993, Chapter 64 provided a deduction from the Transaction Privilege Tax base under the feed classification, for sales to a person engaged in the business of operating a concentrated animal feeding operation. The bill also defines beef cattle, concentrated animal feeding operation and feed lot or yard. (ERTYBFA - June 30, 1993)

Laws 1993, Chapter 80 clarified that the waste tire fee shall be excluded in computing the tax base, gross proceeds of sales or gross income for state Transaction Privilege Tax purposes and is not subject to any Transaction Privilege, Sales, Use or other similar tax levied by a city, town or special taxing district. (E - July 17, 1993)

Laws 1993, Chapter 85 excluded leasing or renting real property used for agricultural purposes, from the commercial lease classification of the Transaction Privilege Tax under either of the following conditions (E - July 17, 1993):

(1) The lease or rental is between family members, trusts, estates, corporations, partnerships, joint ventures or similar entities, or any combination thereof, if the individuals or at least 80% of the beneficiaries, shareholders, partners or joint venturers share a family relationship as issue of a common grandparent or spouse of any such issue.

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

Laws 1993, Chapter 91 revised the population threshold at which cities and towns below such threshold are exempt from the protection given the hospitality industry against discriminatory taxes and fees. The population threshold is increased from 55,000 to 100,000 as determined by the most recent United States decennial census. (E - July 17, 1993)

Laws 1993, Chapter 103 amended the definition of "Qualifying Hospital" to include a residential care facility operated in conjunction with a licensed nursing care institution. Exempts all tangible personal property sold to or purchased by such a facility from the Transaction Privilege Tax and Use Tax. Any tax liabilities paid between January 1, 1982 and the effective date of this act shall not be refunded unless the taxpayer requesting the refunds provides proof to the Department of Revenue that monies paid as taxes will be returned to the residents of the residential facilities. (ER - January 1, 1982)

Laws 1993, Chapter 104 modified the provisions for application of a 50% sales tax refund by motion picture production companies operating in the State of Arizona. The bill expands the requirements necessary to file for a refund and includes leased property in addition to property which is purchased. (E - July 17, 1993)

Laws 1993, Chapter 105 extended a Transaction Privilege Tax exemption in the commercial lease classification to vendors or exhibitors of a trade or industry association which is a qualifying organization pursuant to Section 513(d)(3)(C) of the internal revenue code for a period not to exceed 21 days if all of the following conditions are meet:

(1) The majority of activities relate to the nature of trade or business sponsoring the event;
(2) The event is held in conjunction with a formal business meeting of the trade or industry association;
(3) The event is organized by the persons engaged in the particular trade or industry.

Also extends an exemption to leasing, renting or granting the right to use real property for periods not to exceed 21 days by a coliseum, civic center, convention center, auditorium or arena owned by this state or any of its political subdivisions. Tax liabilities, penalties and interest paid by such a vendor or exhibitor for tax reporting periods between June 30, 1986, and the effective date of this act shall not be refunded unless the taxpayer provides satisfactory proof to the Department of Revenue that the tax was not passed on to the ultimate consumer. The bill contains a nonseverability clause. (ERTYBFA - June 30, 1986)

Clarified that the lease or rental of a fixed mobile home or house trailer for transient occupancy for 30 or more consecutive days is excluded from the Transaction Privilege Tax, under the transient lodging classification. (ERTYBFA - December 31, 1978)

Laws 1993, Chapter 111 was the Annual Tax Corrections Bill that made technical and conforming changes to the tax statutes. The bill eliminated the requirement that the Department of Revenue charge interest on penalties imposed in connection with a deficiency or delinquency. The bill allows any city or town which adopted the model city tax code to amend the effective date of a change to the code if a substantial number of taxpayers may not have received fair notice. (E - July 17, 1993)

Laws 1993, Chapter 118 exempted from the Transaction Privilege Tax the sale of personal property shipped or delivered directly to a destination outside of the United States for use in that foreign country. (E - July 17, 1993)

Laws 1993, Chapter 132 excluded from the Transaction Privilege Tax base the amount of federal excise tax imposed on the sales of automobiles. (E - July 17, 1993)

Laws 1993, Chapter 177 provided that the Transaction Privilege Tax exemption for the sale of used manufactured homes, passed in the 1992 regular session is retroactive to September 30, 1988. Tax liabilities, penalties and interest paid between September 30, 1988 and the effective date of the this act shall not be refunded unless satisfactory proof is provided to the Department of Revenue that the monies paid as taxes will be returned to the customer. The bill contains a nonseverability clause. (E - July 17, 1993)

Laws 1993, Chapter 184 institutionalized permanently the contributions withheld from each county's share of the Transaction Privilege Tax to meet the nonfederal cost of providing the Arizona Long-Term Care System (ALTCS). The formula for setting the county expenditure limit and the state appropriation limit was made permanent. The Economic Estimates Commission is still responsible for adjusting the limits. (EFA - June 30, 1994)

Laws 1993, Chapter 199 defined a qualifying community health center as an entity recognized as a nonprofit community-based, primary care clinic with a community based board of directors and is either:

(1) The sole provider of primary care in the community, or
(2) A nonhospital affiliated clinic located in a federally designated medically underserved area in the state.

The bill provides a Transaction Privilege and Use Tax exemption for tangible personal property sold to or purchased by either a qualifying community health center or a qualifying health care organization, provided that the qualifying health care organization is dedicated to providing educational, therapeutic, rehabilitative and family medical education training for blind, visually impaired and multi-handicapped children from the time of birth to age 21. (RTYBFA January 1, 1991)

Laws 1993, Chapter 206 exempted from the Transaction Privilege and Use Tax the sales of natural gas or liquified petroleum gas used to propel a motor vehicle under the retail, utilities and pipeline classifications. The bill also provided an exemption from any similar municipal tax. (E - July 17, 1993)

Laws 1993, Chapter 212 provided a Transaction Privilege Tax exemption, under the commercial lease classification, for the leasing or subleasing of real property used by a licensed nursing care institution. Tax liabilities, penalties and interest paid between January 1, 1986 and the effective date of this act shall not be refunded unless the taxpayer provides satisfactory proof to the Department of Revenue that the monies paid as taxes will be returned to the persons who were residents during the period for which the tax was paid. The bill contains a nonseverability clause. (ER - January 1, 1986)

Laws 1993, Chapter 240 clarified and expands exemptions under the telecommunications classification of the Transaction Privilege Tax. Items specifically exempted are:

(1) Sales of intrastate telecommunications services to other persons engaged in business classified under the telecommunications classifications for use in such business;
(2) End user common line charges established by Federal Communications Commission regulations;
(3) Carrier access charges established by Federal Communications Commission regulations.

Such tax liabilities, penalties and interest paid for taxable periods between January 1,1984 and the effective date of this bill shall not be refunded unless the taxpayer requesting the refund provides satisfactory proof to the Department of Revenue that the monies paid will be returned to the consumer. The bill contains a nonseverability clause. (ERFA - January 1, 1984)

Laws 1993, Chapter 246 exempted private toll facility projects from any state imposed Transaction Privilege Tax, Sales Tax, Use Tax or similar excise tax. Provided that a lease to a private entity of a transportation facility constructed pursuant to this Chapter is deemed a governmental activity, thereby allowing eligibility for industrial development bonds. (E - July 17, 1993)

Laws 1993, Chapter 258 required the Department of Commerce to establish and conduct an environmental technology assistance program to promote business and economic development by recruiting and expanding companies that manufacture, produce, or process solar and other renewable energy products from recycled materials. The Department of Commerce has until June 30, 1996 to certify qualified environmental technology manufacturers, producers and processors for purposes of available tax incentives provided in the bill. The bill contains a severability clause. Various sections of this bill are delayed or have retroactive effective dates. (E - April 22, 1993)

Laws 1994, 8th Special Session, Chapter 8 changed the Transaction Privilege and Severance Tax distribution formula for counties. Collections designated as the distribution base by the State Treasurer are divided and shared

by the state, counties, and incorporated municipalities. Incorporated municipalities will continue to receive 25% in proportion to their population. The state share is reduced from 36.92% to 34.49%. Counties will now receive 40.51% with 38.08% shared among the counties by averaging the following proportions:

(1) The proportion that the population of each county bears to the total state population.
(2) The proportion that the distribution base monies collected during the calendar month in each county bear to the total distribution base monies collected for the calendar month.

For those counties receiving less under the population formula than under the original property valuation formula, an additional 2.43% will be distributed to hold them harmless from the change in distribution methods. Any amount left after this distribution will be distributed to counties based on the new formula. (EFA - June 30, 1994)

Laws 1994, Chapter 41 contained the major components of the Tax Reduction Package known as the Middle Income Tax Relief Act (MITRA) of 1994. The act contained the following major provisions affecting the Transaction Privilege Tax (E - July 17, 1994):

(1) The act provided a Transaction Privilege and Use Tax exemption to chemicals used in manufacturing and mining, alone or as part of an integrated system of chemicals, that cause a chemical or physical change to occur in the materials as part of the production process. This act excludes chemicals used or consumed in activities such as packaging, storage, or transportation but does not affect any deduction for such chemicals that is otherwise provided in statute. (EFA - June 30, 1995)
(2) The act clarified that prosthetic devices prescribed or recommended by a person who is licensed, registered or otherwise professionally credentialed as a physician, dentist, podiatrist, chiropractor, naturopath, homeopath, nurse, or optometrist are exempted from the Use Tax.
(3) The act repealed the "Usdane Shifts" which required that if the Vehicle License Tax, or other taxable auto related retail sales of tangible personal property increases greater than 7%, then an amount determined by formula would be deposited in the Highway User Revenue Fund rather than the state General Fund.

Laws 1994, Chapter 64 clarified an earlier bill that provided refunds of Transaction Privilege Taxes paid on tangible personal property sold to or purchased by a residential care facility in conjunction with a licensed nursing care institution. This act required the facility to demonstrate that the refund will be paid in a reasonable and nondiscriminatory manner to those residents, including past, current or future residents, who have paid or are continuing to pay the taxes. The refunds may be provided by means of direct payment or by an offsetting credit against facility charges. (E - July 17, 1994)

Laws 1994, Chapter 92 provided a Transaction Privilege Tax exemption to the gross proceeds of sales or gross income derived from transporting for hire persons, freight or property by a railroad pursuant to a contract with another railroad that is also considered to be engaged in the business, if the other railroad is liable for the tax on the gross proceeds of sales or gross income attributable to the transportation. (RTYBFA - December 31, 1987)

Laws 1994, Chapter 145 provided a Transaction Privilege Tax exemption, under the amusement classification, to sales of admissions to the 1996 National Football League Superbowl. (E - July 17, 1994)

Laws 1994, Chapter 174 provided that from April 19, 1983 until December 31, 1994, personal property liquidation transactions, conducted by a personal property liquidator are not subject to the Transaction Privilege Tax under the retail classification.

From and after January 1, 1995, personal property liquidation transactions shall be taxable provided that nothing in the retail classification shall be construed to authorize the taxation of casual activities or transactions. "Personal property liquidation transaction" was defined as a sale of personal property made by a personal property liquidator acting solely on behalf of the owner of the personal property sold at the dwelling of the owner or upon the death of any owner on behalf of the surviving spouse, if any, any devisee or heir or the personal representative of the estate of the deceased, if one has been appointed. "Personal property liquidator" was defined as a person who is retained to conduct a sale in a personal property liquidation transaction.

Tax liabilities, penalties and interest paid for taxable periods beginning from and after April 19, 1983, through the effective date of the act, on a tax base that included personal property liquidation transactions, shall not be refunded unless the taxpayer requesting the refund provides evidence satisfactory to the Department of Revenue that the amounts collected from purchases as taxes, penalties or interest will be returned to the final purchasers of the tangible personal property that was sold. (RTYBFA - April 19, 1983)

Laws 1994, Chapter 240 provided the following Transaction Privilege and/or Use Tax exemptions (E - July 17, 1994):

(1) Provides a Transaction Privilege Tax exemption for nonprofit charitable organization that have qualified under Section 501(C)(3) of the Internal Revenue Code and that regularly serves meals to the needy and indigent on a continuing basis at no cost.
(2) Exempts from the Transaction Privilege and Use Tax sales of food, drink and condiment for consumption within the premises of a prison, jail or other institution under the jurisdiction of the State Department of Corrections, the Department of Public Safety, the Department of Youth Treatment and Rehabilitation or a County Sheriff.
(3) Provided a Use Tax exemption for printed, photographic, electronic or digital media materials for use by the public, which are unavailable for purchase in this state, purchased by publicly funded libraries.
(4) Clarified that the Use Tax exemption for prosthetic appliances applied to devices prescribed or recommended by a person who is licensed, registered or professionally credentialed as a physician, dentist, podiatrist, chiropractor, naturopath, homeopath, nurse or optometrist.

Laws 1994, Chapter 307 provided a Transaction Privilege and Use Tax exemption, under the retail classification, to (EFA - September 30, 1994):

(1) Livestock and poultry feed, salts, vitamins and other additives for livestock or poultry. For these purposes "poultry" includes ratites.
(2) Implants used as growth promotants and injectable medicines, not already exempt, for livestock or poultry. For these purposes "poultry" includes ratites.

The act amends the feed classification by clarifying that "concentrated animal feeding operation" means a dairy or beef cattle feedlot or feedyard. Feedlot or feedyard includes a lot or facility where dairy, slaughter or feeder cattle are confined and fed for 45 days or more in any 12-month period. The feed classification, as amended, is repealed from and after September 30, 1994. (RTYBFA - September 30, 1993)

The act clarified that the feed classification is comprised of the business of selling livestock or poultry feed, including salts, vitamins, implants used as growth promotants, injectable medicines and other additives, for livestock or poultry consumption to persons who are engaged in producing livestock, poultry or livestock or poultry products or who are engaged in feeding livestock or poultry commercially. (RTYBFA - December 31, 1989)

Laws 1994, Chapter 309 provided a Transaction Privilege and Use Tax exemption to ratites used as breeding or production stock. The act also included "ratites" as Class 11 personal property for tax purposes. "Ratites" were defined as ostriches, emus, rheas and cassowaries. "Poultry" was defined as chickens, turkeys, domesticated birds, game birds, fowl and waterfowl but does not include ratites. The act contains provisions defined in Article IX, Section 22, Constitution of Arizona that requires the affirmative vote of at least 2/3rds of both houses. (E - April 25, 1994)

Laws 1994, Chapter 312 provided a Transaction Privilege Tax exemption to (RTYBFA - December 31, 1987):

(1) Private or group instructional activities. For purposes of this paragraph, private or group institutional activities include, but is not limited to performing arts, martial arts, gymnastics and aerobic instruction. Persons engaged in the business of offering instructional activities shall account for separately the gross income from exhibition, amusement or entertainment and the gross income from instructional activities. If the books do not provide this separate accounting, the tax is imposed on the person's total gross income from the business.

(2) Memberships, including initiation fees, which provide for the right to use a health or fitness establishment or recreational establishment for 28 days or more.
(3) The Department of Revenue shall provide a refund of tax liabilities, penalties and interest paid between December 31, 1987 and July 17, 1994 on a tax base that includes gross income from private or group instructional activities.

The act extends the exemption for the leasing or subleasing of real property used by a licensed nursing care institution. The retroactive application of the exemption was changed from January 1, 1986 to January 1, 1982. (ER - January 1, 1982)

The act also provided that beginning from and after December 31, 1990 through December 31, 1993, a prime contractor may deduct from gross income the purchase price of tangible personal property intended to be incorporated or fabricated into or installed in a health care facility, including construction materials, machinery and equipment. A prime contractor shall submit a claim for a refund on or before June 30, 1995. No refund shall be made unless the prime contractor provides evidence satisfactory to the Department of Revenue that all refunds shall be remitted by the prime contractor to the qualifying community health center. If the prime contractor fails to remit the monies, the tax shall be considered due from the prime contractor and amounts not remitted remain as a lien against the prime contractor. Refunds shall be issued beginning from and after June 30, 1995. (E - July 17, 1994)

Laws 1994, Chapter 313 provided for the issuance of bonds by a city, town or county to finance the construction of a "qualified theme park." The city, town or county may impose a special Excise Tax on all business activity that is subject to taxation. Business activity that is subject to taxation is exempt from the state Transaction Privilege Tax during the time the tax is imposed by the city, town or county in effect. The tax will remain in effect until the bonds issued are paid in full or 20 years after the bonds are issued, whichever occurs first. Any city, town or special taxing district shall not levy a Transaction Privilege, Sales, Use or other similar tax on any business activity conducted at or tangible personal property leased or rented by any qualified theme park, themed amusement park or other nonathletic entertainment facility that is subject to taxation. (EFA - June 30, 1995)

Laws 1994, Chapter 314 provided that cities, towns and counties, which submit 1995 population estimates to the Director of the Department of Revenue, the Director of the Department of Transportation and the State Treasurer, may, in lieu of conducting a special census, submit July 1995 population estimates approved by the Director of the Department of Economic Security, Population Statistics Unit. The population estimates are used for the distribution of state shared revenue. The act is repealed on July 1, 2001. (E - July 17, 1994)

Laws 1994, Chapter 346 provided a Transaction Privilege Tax credit for expenses incurred by a taxpayer in accounting and reporting taxes due. The credit is equal to 1% of the amount of the tax due, but may not exceed $10,000 in any calendar year for any taxpayer. Estimated taxes are not considered as a separate reporting period. A taxpayer shall claim the credit for each tax period on forms prescribed and furnished by the Department of Revenue. A claim for credit is not allowed if the taxpayer fails to pay the tax due, plus any estimated tax liability, before payment becomes delinquent. (ETYBFA - June 30, 1995)

Laws 1994, Chapter 352 clarified the Transaction Privilege Tax exemption under the job printing classification applies to the sales of job printing, engraving, embossing and copying for use outside this state if the materials are shipped or delivered out of this state, regardless of where title to the materials passes or their free on board point. (RTYBFA - June 30, 1988)

Laws 1994, Chapter 370 provided a Transaction Privilege Tax exemption equal to 1/3rd of the amount received by a racetrack from the total handle during Fiscal Year 1996, 2/3rds for Fiscal Year 1997 and the full amount beginning in Fiscal Year 1998. The amount held by racetracks for the payment of purses is already exempt. (E - July 17, 1994)

Laws 1994, Chapter 375 provided changes to the Taxpayers' Bill of Rights including provisions on installment payments of tax, abatement of penalties, and reimbursement of fees and other costs. The reimbursement of fees and other costs section is effective for fees and other costs incurred after December 31, 1994. (E - July 17, 1994)

Laws 1994, Chapter 377 provided a Transaction Privilege and Use Tax exemption for overhead materials that are used in performing a contract between the United States Government and a manufacturer, including property used in performing a subcontract with a government contractor to which title passes to the government under terms of the contract or subcontract. The act also defined "overhead materials" and "subcontract." The act does not apply with respect to any existing audit, appeal or litigation. (ETYBFA - June 30, 1995)

Laws 1995, Chapter 6 clarified that the Transaction Privilege Tax accounting allowance credit is not to exceed a total of $10,000 in any calendar year for the combined total of all business premises of a taxpayer. Also clarified that "taxpayer" means the business entity under which the business reports for state income tax purposes or an entity that is exempt from state income taxes. (RTYBFA - June 30, 1995)

Laws 1995, Chapter 17 provided that the Transaction Privilege and Use Tax exemption for chemicals enacted by Laws 1994, Chapter 41, are to be considered as separate and distinct from the exemptions for machinery and equipment. Interpretation of one exemption in conjunction with the other is prohibited. (ER - July 17, 1994)

Laws 1995, Chapter 61 exempted toll revenues collected by operators, who have leased or licensed right-of-way or other property from the Department of Transportation, from any Transaction Privilege Tax, Sales Tax, Use Tax or any similar Excise Tax. (E - July 13, 1995)

Laws 1995, Chapter 98 clarified that motion picture production companies which expend more than $1 million, or $250,000 in the case of commercial advertising production, in the state in at least a 12 consecutive month period may apply for a refund of Transaction Privilege and Use Taxes paid for expenditures in connection with the production company activity. Companies shall apply for refunds within 6 months after completing the filming or production activities or at any time after $1 million in expenditures, or $250,000 for commercial advertising production, has been reached. Defined "commercial advertising production" to mean any film or video production that is created to promote specific brands, products, services, retailers or advocacy positions and that consists of 2 minutes of air time or less. The refund is limited to 50% of the Transaction Privilege and Use Taxes imposed. (ERFA - June 30, 1994)

Laws 1995, Chapter 138 provided a Transaction Privilege and Use Tax exemption to machinery and equipment necessary for extracting milk, and for cooling milk and livestock. Clarified that "self-powered implements" includes machinery and equipment that are electric powered. Tax liabilities, penalties and interest paid from and after April 17, 1985 will be refunded if paid on self-powered implements now exempt and if satisfactory proof that monies paid will be returned to the customer who purchased the implements is provided to the Department of Revenue. (RTYBFA - April 17, 1985)

Laws 1995, Chapter 178 made technical changes to the transaction privilege and use tax statutes related to changing the name of the Department of Youth Treatment and Rehabilitation to the Department of Juvenile Corrections. (E - July 13, 1995)

Laws 1995, Chapter 182 authorized municipalities with a population less than 50,000 and counties with a population less than 125,000 to submit their July 1995 populations, as approved by the Director of the Department of Economic Security (DES) Population Statistics Unit, for state revenue sharing purposes without having to contract with DES to conduct a sample survey verification. Allowed any city, town or county to submit a request that the 1990 Decennial Census, plus revisions due to annexation certified by the United States Bureau of the Census, continue to be used for the purposes of state revenue sharing, even if a special census has been conducted. (E - July 13, 1995)

Laws 1995, Chapter 228 provided a Transaction Privilege Tax exemption to membership fees, including initiation fees, that provide the right to use a transient lodging recreational establishment for 28 days or more. The act defined "transient lodging recreational establishment" to mean a facility whose primary purpose is to provide facilities for transient lodging, that is subject to tax, and also provides recreational facilities, such as tennis, golf and swimming, for members for a period of 28 days or more. (RTYBFA - June 30, 1994)

Laws 1995, Chapter 267 provided a Transaction Privilege Tax exemption to sales of motor vehicles sold at auction to nonresidents for use outside this state. (RTYBFA - June 30, 1988)

Provided Transaction Privilege and Use Tax exemptions to personal hygiene items sold to businesses engaged in transient lodging if the item is intended for use by the guest. Taxes, penalties and interest paid after May 31, 1990 are refundable if the taxpayer provides that the Transaction Privilege or Use Tax on the item was not passed on to the consumer by way of increased prices for transient lodging. (RTYBFA - May 31, 1990)

Laws 1995, Chapter 276 allowed a deduction, under the prime contracting classification, for sale and installation of ground water monitoring wells required by law, including monitoring wells installed for acquiring information for a permit required by law and for the gross proceeds or gross income from a contract to provide specified actions in response to the release or suspected release of a hazardous substance, pollutant or contaminant from a facility to the environment, unless the release was authorized by permit issued by a governmental authority. Provided for the refund of tax liabilities, penalties and interest if satisfactory proof is provided to the Department of Revenue that the monies will be returned to the person or fund that paid the consultant's or contractor's fee and that the taxpayer paid the appropriate Transaction Privilege or Use Tax on the sale of tangible personal property now exempt. The bill contained a non-severability clause. The bill also provided for the repeal of the deduction if S.B. 1206, which was vetoed by the Governor, had been enacted into law. S.B. 1206 would have replaced the prime contracting classification, with a point of sale retail tax on tangible personal property purchased by contractors. (RTYBFA - December 31, 1986)

Laws 1995, Chapter 277 changed the effective date of Laws 1994, chapter 313, that provided municipal and county finance provisions for the construction of "qualified theme parks" to December 31, 1994. Clarified that municipal or county excise taxes maybe imposed in all or part of the park and includes concessions, shops, restaurants and other amenities and such business activity subject to the tax is exempt from the state Transaction Privilege and Use Tax for the period the tax is imposed. Provided for the repeal of all provisions from and after December 31, 2005. (E - July 13, 1995)

Laws 1996, Chapter 93 expanded military reuse zone sales tax incentives by allowing a deduction from the prime contracting classification of the transaction privilege tax for the gross income received from a contract entered into for the construction or alteration of any building or road that provides aviation or aerospace services and that is located in a military reuse zone. (Effective April 5, 1996)

Laws 1996, Chapter 99 exempted the following from the transaction privilege, use, or other similar tax:

1. Sales of warranty or service contracts.
2. Sales of motor vehicles to nonresidents if the vehicle will be used outside the state and the vendor delivers the vehicle to a destination outside the state.
3. Interest on finance contracts.
4. Dealer documentation fees on the sales of motor vehicles.

(Effective July 20, 1996)

Laws 1996, Chapter 141 increased the bed tax in Pima County for the benefit of spring training facilities for major league baseball teams. The act raised the bed tax rate from an allowable maximum of 1% to an allowable maximum of 2% from January 1, 1997 through December 31, 2012. During this time, up to one-half of the revenue collected from the tax will be used to enhance spring training facilities, and the remaining money will continue to go to Pima County for tourism. On January 1, 2013, the bed tax will revert to the original 1% for tourism and the additional tax for spring training baseball facilities shall be eliminated. (Effective July 20, 1996)

Laws 1996, Chapter 186 established the Arizona Arts Endowment Fund to create a public-private partnership for the support of the arts in Arizona. The Arts Endowment Fund is funded by an annual appropriation from the state General Fund in an amount equal to the difference between the FY 1994 collection of amusement taxes and the current fiscal year's collection of amusement taxes, up to $2 million. Any money above $2 million more than FY 1994 amusement tax collections is to be deposited into the General Fund. This funding provision expires after FY 2007. (Effective July 1, 1997)

Laws 1996, Chapter 317 reduced the tax reporting burden on small business taxpayers and the cost of tax administration on state government by allowing an alternative method for payment of transaction privilege taxes.

Taxpayers may elect to pay by electronic funds transfer provided that payment is made by the twenty-fifth day of the month after the month that the tax was accrued. This payment due date is consistent with the due date of the mailed transaction privilege payments. The act further stipulated that taxpayers subject to the annual estimated transaction privilege taxes must make any electronic funds transfer by June 25.

For tax reporting periods after December 31, 1996, the Department of Revenue may authorize quarterly and annual payments for taxpayers that have established sufficient payment history to indicate that they are current and in good standing. (Effective July 20, 1996)

Laws 1996, Chapter 319 allowed a prime contracting tax deduction for the installation, assembly, repair, or maintenance of machinery, equipment, or other tangible personal property, provided that the property is deducted from the tax base of the retail classification, and not permanently attached to a building, highway, road, railroad, excavation, or manufactured building or other structure.

The term *permanently attached* is defined to mean at least one of the following:

- Incorporated into real property.
- Being so affixed to real property that it becomes part of the real property.
- Being attached to the real property in a manner which would damage the property if it was removed.

If a deduction for machinery, equipment, or other tangible personal property has been utilized under the retail classification in order to facilitate the installation, assembly, repair, or removal of this machinery or equipment, then a deduction for the same machinery or equipment is not permitted under prime contracting activity.

The act also expanded the deduction from prime contracting activities for military reuse zones (see Chapter 93) to include the construction, addition, alteration, repair, or removal of any manufactured buildings. (Effective July 1, 1997)

Laws 1996, Chapter 322 exempted machinery and equipment used for motion picture, multimedia, or interactive video production in a sound stage complex from the transaction privilege and use taxes, provided that the sound stage complex is constructed after June 30, 1996 and before January 1, 2002. The exemption applies only to machinery and equipment purchased within five years after construction of the complex begins.

The act also eliminated a provision that would have repealed the tax exemption for solar energy devices. This exemption will continue to provide a retail sales tax deduction for the sale of a solar energy device whose value is $5,000 or less and which results in a tax benefit of no more than $250 per device. (Effective July 20, 1996)

Laws 1996, Chapter 326 exempted from the transaction privilege tax the activities and events, or fees and assessments, received by homeowners' organizations, unless they are taxable under other statutes. Homeowners' organizations are defined as mandatory membership organizations whose primary purpose is to provide for the acquisition, maintenance, or management of their property. Moreover, no part of the organization's net earnings may inure to the benefit of any private shareholder or individual. (Effective January 1, 1994)

Laws 1996, 6th Special Session, Chapter 1 excluded from the transaction privilege and use tax bases any tangible personal property used to receive, produce, generate, transmit, etc., telecommunications information by either a direct broadcast satellite television or data transmission service, or any satellite television or data transmission facility if the following conditions are met:

1. Over two-thirds of the information transmitted by the facility during the test period is to or on behalf of one or more direct broadcast satellite television or data transmission services.
2. Over two-thirds of the transmissions by or on behalf of the direct broadcast television or data transmission services must be transmitted by the facility to or on behalf of those services.

The act defined the test period as the 365-day period beginning on the later of the date on which the tangible personal property is purchased or the date on which the direct broadcast satellite television or data transmission service first transmits information.

If a seller is entitled to the transaction privilege and use tax deduction for tangible personal property sold to a satellite television or data transmission facility, the purchaser must establish that the above requirements have been satisfied. If the purchaser cannot establish this, the purchaser becomes liable for any tax, penalty, and interest. (Effective January 1, 1996)

1997 TAX LAWS

Laws 1997, Chapter 3 provided an exemption from the commercial lease classification of the transaction privilege tax for the lease of another person's land to mine minerals (known as *profit a prendre* rights). The practice of taxing royalties within commercial lease agreements is also prohibited. However, the exclusion does not apply to any commercial uses that the leaseholder has to the property that are separate from the *profit a prendre* rights. The bill also applied the standard four year statute of limitations for Department of Revenue assessments if a taxpayer fails to report income derived from granting a right of *profit a prendre*. (Effective March 23, 1968)

Laws 1997, Chapter 4 allocated an amount of sales tax revenue to low-wealth school districts based on a distribution formula. This bill was in response to the *Roosevelt v. Bishop* court case regarding school capital finance, but it was ruled unconstitutional by the court and repealed. (Effective July 1, 1997)

Laws 1997, Chapter 61 clarified that cleanrooms and related machinery and equipment are exempted from sales and use taxes. The bill codified the historical administrative practice of valuing and assessing cleanrooms. (Effective July 21, 1997)

Laws 1997, Chapter 109 allocated $5 million of state transaction privilege taxes over a 12-year period to Maricopa County to aid in building the Gila River Bridge. The bridge is to provide direct access to commercial, residential, and recreational facilities. (Effective October 1, 1997)

Laws 1997, Chapter 110 exempted "for hire" commercial vehicles that are less than 12,000 pounds from the transporting classification of the transaction privilege tax, provided that an annual light motor vehicle fee of $64 has been paid for the vehicle. Payment of the fee does not, however, exempt a person from paying sales tax on transactions involving the retail sale of property or freight transported in a light motor vehicle. The fiscal impact of this bill is estimated to be a loss to the General Fund of $(2,000,000) starting in FY 1998. (Effective October 1, 1997)

Laws 1997, Chapter 116 provided transaction privilege tax and use tax exemptions for wireless telecommunication equipment sold to consumers as an inducement to enter into or continue contracts for telecommunication services. The bill excludes from the transaction privilege tax the compensation received by a retailer for selling or transferring wireless telecommunication equipment to a customer as an inducement to contract for service. It also specifies that sale of such equipment to a person who holds the equipment for sale or transfer to a customer as an inducement to enter into or continue a contract for telecommunication services is a sale for resale, and consequently exempt from taxation. (Effective January 1, 1990)

Laws 1997, Chapter 150 recodified Title 42 of the Arizona Tax Code, which regards property, transaction privilege, use, and luxury taxation. The bill made numerous technical changes, removed references to gender, and restructured and renumbered several statutes. It provided that the interpretation of the tax code is not to be changed solely due to changes made by the recodification. Immunities, exemptions, claims, proceedings, etc. that existed before the recodification are to remain in effect. (Effective January 1, 1999)

Laws 1997, Chapter 165 allowed municipalities to each designate a commercial enhancement reuse district. These districts are required to be 25 acres or less, have recreational, commercial, and retail facilities, and have developed a lake facility by December 31, 2004. The bill provides exemptions from the prime contracting tax and the use tax for lake facility construction costs of up to $125 million. Lake facility developments must contribute to the long-term vitality of the commercial enhancement reuse district and entail an investment of at least $40 million. (Effective July 21, 1997)

Laws 1997, Chapter 178 provided transaction privilege and use tax exemptions for sales of alternative fuel to a used oil fuel burner who has received a permit from the Department of Environmental Quality to burn used oil or used oil fuel. The fiscal impact of this bill is estimated to be a loss to the General Fund of $(92,200) starting in FY 1998. (Effective July 21, 1997)

Laws 1997, Chapter 227 exempted sales of printed, photographic, electronic, or digital media materials purchased by publicly-funded libraries for public use from the transaction privilege and use tax. The fiscal impact of this bill is estimated to be a loss to the General Fund of $(36,900) starting in FY 1998. (Exemptions for printed or photographic materials are effective beginning August 7, 1985. Exemptions for electronic or digital media materials are effective beginning July 17, 1994.)

Laws 1997, Chapter 245 authorized refunds for prime contracting taxes paid by a contractor for tangible personal property incorporated or installed in an unlicensed residential care facility operated in conjunction with a licensed nursing care institution. The refunds are given for contracting taxes paid between January 1, 1982 and July 17, 1993. Claims for refunds must be submitted by October 31, 1997, and contractors that request refunds are required to remit the refunds to the residential care facility. The residential care facility must, in turn, return the refund monies to past, current, or future residents who have paid or are paying the taxes. Finally, the interest rate paid for refunds is set at 1% per year compounded annually until June 30, 1998, and the maximum amount of refunds issued in FY 1999 is capped at $2 million. The fiscal impact of this bill is estimated to be a loss to the General Fund of $(2,000,000) beginning in FY 1999. (Effective July 21, 1997)

Laws 1997, Chapter 274 provided a transaction privilege and use tax exemption for food and beverage items sold to a commercial airline to be consumed by passengers on flights. The act also authorized sales and use tax exemptions for the purchase of tangible personal property by contractors for use in environmental remediation. The fiscal impact of this bill is estimated to be a loss to the General Fund of $(542,900) starting in FY 1998. (Exemptions for airline food and beverages are effective beginning January 1, 1982. Exemptions for property used for environmental remediation are effective on July 1, 1997.)

Laws 1997, Chapter 287 assured $18 million annually in funding for the Water Quality Assurance Revolving Fund (WQARF) beginning July 1, 1999. This funding level is achieved by combining a transfer of $15 million from the corporate income tax with monies collected from various fees and appropriations. At the end of the fiscal year, if the corporate income tax transfer together with the total of the fees and appropriations is not sufficient to reach the $18 million level, the State Treasurer shall adjust the $15 million transfer of corporate income tax revenues upward in the necessary amount. If corporate income tax revenues are insufficient to supplement collected fees and appropriations, transaction privilege tax revenues are to be used. (Effective April 29, 1997)

Laws 1997, Chapter 297 allowed two or more municipalities located in the same county to create a multipurpose facility district for the purpose of financing and constructing a multipurpose facility. A multipurpose facility is defined as a facility designed to accommodate sporting and entertainment, cultural, civic, meeting, or convention events. The bill authorized the use of transaction privilege tax collections and excise taxes to finance the acquisition of land, construction, maintenance, operation, and marketing of the facility.

Upon voter approval, a multipurpose facility district is authorized to levy a transaction privilege tax of up to 5% of the state tax rate that was in effect on January 1, 1990 on businesses conducting sales in the district. In addition, districts with a facility that costs at least $200 million to construct and that have issued bonds are to receive from the State Treasurer half of the state transaction privilege taxes paid each year by businesses at the facility. These payments from the state continue for 10 years after the bonds are issued or until the bonds are paid in full, whichever comes first.

Other funding mechanisms for generating revenue during national championship sporting events or international games hosted in the multipurpose facility are also authorized to secure the bonds, subject to voter approval. These include receiving the incremental increases in municipal transaction privilege tax revenues associated with such sporting events or international games hosted in the facility; surcharges on car rentals or recreational vehicle spaces during these events; and the imposition of an additional 1% sales tax on businesses in the transient lodging and restaurant and bar classifications during these events. (Effective July 21, 1997)

Laws 1997, 1st Special Session, Chapter 3 modified the distribution of the transient lodging classification so that in FY 1998 and FY 1999 a total of 3% of the state share of the revenue collected from this classification in the prior fiscal year is deposited in the Tourism Fund. (Effective June 26, 1997)