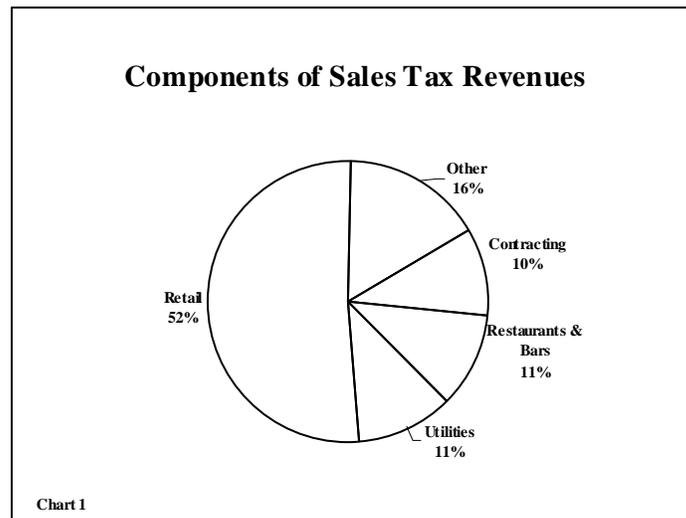


# TRANSACTION PRIVILEGE TAX

## DESCRIPTION

The transaction privilege tax (TPT) is Arizona’s version of a sales tax. Across the United States, there are 13 states that levy a transaction privilege tax, 17 states that employ a sales tax, and another 15 states that impose a hybrid tax. All 3 types of taxes are levied upon consumer spending, but they differ with regard to the legal burden of the tax. Under Arizona’s transaction privilege tax, the seller is responsible for remitting to the state the entire amount of tax due based on the gross proceeds or gross income of the business. The seller may include the tax in the purchase price or absorb the tax. Because of its similarity to the sales tax, the transaction privilege tax is often referred to as a sales tax.

The sales tax consists of many different tax categories. The largest of these, the retail sales tax, comprises approximately 52% of total sales tax revenues. Other large sales tax categories include contracting, utilities, and restaurants and bars. *Chart 1* illustrates the relative importance of the major categories. A full listing of all sales tax classifications is provided in *Table 4*.



The sales tax is the state’s single largest revenue source, representing 44% of General Fund revenues in FY 2011. A significant portion of state sales tax revenues is shared with the counties and cities. This revenue sharing occurs through the distribution base, described in further detail in the Distribution Section below.

Beginning in June 2010, the TPT rate rose from 5.6% to 6.6%, with the extra 1.0% being dedicated exclusively to public primary and secondary education, health and human services, and public safety. This tax increase will last for 36 consecutive months and is not subject to the regular TPT distribution. This tax increase was approved by voters on May 18, 2010 and is commonly known as Proposition 100. It is estimated that the extra 1.0% will increase TPT and use tax revenues by \$825 million in FY 2011, \$901 million in FY 2012, and \$951 million in FY 2013.

In June 2001, the TPT rate had previously risen from 5.0% to 5.6%, with the extra 0.6% being dedicated to education. This tax increase was also approved by voters and is commonly known as Proposition 301.

## DISTRIBUTION

TPT revenues are shared with Arizona’s counties and cities through a complex system of formulas established in statute. See *Table 1* for amounts distributed. Legislative changes to the state sales tax usually have local government impacts, unless otherwise specified through hold harmless provisions (provisions designed not to harm local governments).

## Transaction Privilege Tax

*Distribution.* The Department of Revenue (DOR) transmits all sales tax revenues to the State Treasurer, separately accounting for payments of estimated taxes, the transient lodging tax, transaction privilege and severance taxes on mining and timber collected from businesses located on Indian reservations, and education sales taxes. The aforementioned tax collections have dedicated uses. All other TPT revenues are credited to a clearing account. Revenues designated by statute for the distribution base (see *Table 1 and Table 4*) are divided among the state, the counties and the cities. The remaining monies (non-shared) are directly credited to the General Fund, except as needed for school capital finance pursuant to A.R.S. § 42-5030.01, part of the Students FIRST legislation [A.R.S. § 42-5029].

**Table 1**

**TAX COLLECTIONS AND DISTRIBUTION (20-year history)\***

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Cities</u>	<u>Counties</u>	<u>Proposition 301</u>	<u>Proposition 100</u>	<u>Total</u>
FY 2011	\$3,438,016,988	\$373,259,250	\$604,829,288	\$514,345,951	\$864,501,708	\$5,794,953,185
FY 2010	\$3,422,528,509	\$356,997,763	\$578,479,176	\$513,589,704		\$4,871,595,152
FY 2009	\$3,756,407,238	\$387,050,618	\$627,176,822	\$558,899,709		\$5,329,534,387
FY 2008	\$4,353,564,848	\$447,060,657	\$724,417,089	\$645,827,821		\$6,170,870,415
FY 2007	\$4,457,494,716	\$462,037,141	\$748,684,984	\$666,184,022		\$6,334,800,863
FY 2006	\$4,273,358,451	\$439,120,139	\$711,550,274	\$628,471,192		\$6,052,500,056
FY 2005	\$3,661,168,623	\$376,212,970	\$609,615,497	\$538,346,435		\$5,185,343,525
FY 2004	\$3,294,788,319	\$340,535,844	\$551,804,282	\$487,214,807		\$4,674,343,252
FY 2003	\$3,033,877,715	\$316,406,294	\$512,704,759	\$447,841,034		\$4,310,829,802
FY 2002	\$3,000,431,898	\$311,693,101	\$505,067,501	\$439,004,543		\$4,256,197,043
FY 2001	\$2,983,552,245	\$312,676,402	\$506,661,075			\$3,802,889,722
FY 2000	\$2,829,307,415	\$299,386,513	\$485,126,158			\$3,613,820,086
FY 1999	\$2,577,768,324	\$272,402,244	\$441,400,596			\$3,291,571,164
FY 1998	\$2,367,883,017	\$253,826,710	\$411,300,801			\$3,033,010,528
FY 1997	\$2,211,158,987	\$240,264,373	\$389,324,389			\$2,840,747,749
FY 1996	\$2,103,275,229	\$233,196,324	\$377,871,323			\$2,714,342,876
FY 1995	\$1,968,613,472	\$219,908,226	\$356,339,289			\$2,544,860,987
FY 1994	\$1,787,609,451	\$200,069,251	\$304,745,483			\$2,292,424,185
FY 1993	\$1,626,535,290	\$184,318,955	\$280,754,631			\$2,091,608,876
FY 1992	\$1,503,124,515	\$170,654,277	\$259,940,595			\$1,933,719,387

\* The figures displayed in this table include revenues collected from the sales tax and its affiliated taxes – the use tax, mining and timber severance taxes, jet fuel taxes, and the rental occupancy tax. The table excludes funds distributed to multipurpose facility districts and other special distributions.

As previously mentioned, revenues collected from the Proposition 100 1.0% tax will not be distributed to counties and municipalities, nor other government entities. Two-thirds of the additional revenue is appropriated to public primary and secondary education and the remaining one-third is appropriated to both health and human services and public safety.

Revenues collected from the 0.6% Proposition 301 tax go directly toward education programs. For a more extensive discussion of the specific uses of education tax revenues, please refer to the Department of Education - Summary section of the *FY 2012 Appropriations Report*.

Monies in the distribution base are allocated on a monthly basis in the following way:

- 25% is paid to the cities in proportion to their population based on the last U.S. decennial census or special census.
- 40.51% is paid to the counties according to the formula described below.
- The remaining 34.49% is retained by the state and used to make various allocations and appropriations specified by statute.

In total, the counties receive 40.51% of distribution base revenues. The amount that each county receives is determined by the following calculations:

## **Transaction Privilege Tax**

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1. 38.08% of the total TPT distribution base is calculated.
2. 2.43% of the total TPT distribution base is calculated.
3. Each county's share of the 38.08% portion of the TPT distribution base is calculated using an average of percent of total point-of-sale and percent of total secondary net assessed valuation.
4. Each county's share of the 38.08% portion of the TPT distribution base is calculated using an average of percent of total point-of-sale and percent of total census population.
5. The shares that each county would receive under the two previous steps are compared, with the larger of the two amounts selected for each county. The "new" amounts are added for all 15 counties to determine the difference between this total and the sum of the 38.08% proportions. This difference is subtracted from the sum of the 2.43% proportions calculated in Step 2.
6. Any money remaining from the 2.43% portion is distributed among all 15 counties based on Step 4's combined percentage. Add the amount for each county from this step to the total for each county from Step 5 to get the total amount to be distributed to each county for the month.

The remaining 34.49% of distribution base revenues is allocated for various purposes, including expansion of the Phoenix convention center, school capital finance, multipurpose facilities, construction of a bridge and improvement of a highway at Phoenix International Raceway, and the Tourism and Sports Authority (TSA). The TSA's share of distribution base monies is equal to the amount of sales taxes collected at the University of Phoenix Stadium. In addition, some monies are transferred to the Water Quality Assurance Revolving Fund, as required by A.R.S. § 49-282. After these distributions have been made, the remainder is credited to the General Fund. From this amount, the following distributions are subject to appropriation:

- 1) DOR receives monies sufficient to cover administrative expenses.
- 2) Department of Economic Security (DES) receives monies for the purposes stated in Title 46, Chapter 1 (public welfare, out-of-wedlock pregnancy prevention, and aging).
- 3) The Firearm Safety and Ranges Fund receives \$50,000 derived from retail sales taxes collected during the current fiscal year.

### Multipurpose Facility Districts

Laws 1997, Chapter 297 expanded existing legislation that authorized county stadium districts to include multipurpose facilities, defined as facilities located in the district to accommodate sporting, entertainment, cultural, civic, and convention events and meetings. The legislation also expanded the ability to form a district to two or more municipalities located within a county and authorized these districts to generate TPT revenue. If a district were to construct a facility, the state would divert one-half the state TPT revenues generated at the facility from the General Fund to the district.

Laws 1999, Chapter 162 required the state to pay a county multipurpose facility district one-half of all the TPT revenue received each month from all persons doing business at a multipurpose facility or generated from the construction of a multipurpose facility. In no case are the monthly payments to exceed the net new revenues generated in a given month compared to the TPT revenues generated in the same month during the year prior to the vote authorizing the creation of the district. Payments were to begin when the district board of directors delivered to the State Treasurer a resolution requesting payment and would continue for 10 years after either the commencement or completion of the primary component of the facility, at the option of the district. Chapter 162 required that the publicly owned components of the district must cost at least \$200 million to construct. The definition of a multipurpose facility was broadened to include secondary components such as parking lots and garages, on-site infrastructure, artistic components, public parks, plazas, and some commercial facilities. Chapter 162 was effective and retroactive to July 1, 1998.

### *Rio Nuevo*

In November 1999, Tucson voters approved Proposition 400, which authorized creation of the Rio Nuevo Project. With 1999 established as the base year, DOR began tracking the TPT revenue collected within the Rio Nuevo District, compared it to base year collections, and refunded the difference as provided by Laws 1999, Chapter 162. State TPT payments to the Rio Nuevo District are provided in the table below:

## Transaction Privilege Tax

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<u>Fiscal Year</u>	<u>Distributions</u>
FY 2011	\$13,515,906
FY 2010	\$8,727,318
FY 2009	\$10,399,300
FY 2008	\$15,456,200
FY 2007	\$14,974,900
FY 2006	\$10,968,200
FY 2005	\$7,469,600
FY 2004	\$5,081,200

Source: DOR, Annual Reports

### *Phoenix Convention Center Expansion*

In November 2001, Phoenix voters approved a ballot measure that would provide \$300 million to expand the Phoenix Convention Center from the city fund that was established to pay for construction and expansion of the Civic Plaza's first phase in the 1960s. Laws 2003, Chapter 266 authorized the expansion of eligible convention centers with matching state funds.

Chapter 266 established the Arizona Convention Center Development Fund (ACCDF) for the purpose of enabling qualifying cities to develop and expand major convention facilities. The Phoenix Convention Center expansion project is the only project qualified under Chapter 266.

The state's obligation for the Phoenix Convention Center project is to pay the debt service and related costs on \$300 million of construction bonds. Pursuant to Laws 2003, Chapter 266, the state's obligation was to begin in the first fiscal year after the Certificate of Completion for the project was filed with the State Treasurer, which occurred on March 25, 2009. The statutory schedule was for \$5 million in debt payments in the first year (FY 2010), \$10 million in the second year, \$15 million in the third year, \$20 million in the fourth year, and then followed by \$500,000 annual increases up to a maximum of \$30 million per year until debt service and related costs are retired.

Laws 2011, Chapter 28 suspends the debt payment in FY 2012 to conform the total state contribution to date with the actual payment schedule. Chapter 28 provides other changes to the payment schedule in subsequent years as well.

## WHO PAYS THE TAX

### Individuals and Businesses

Persons or companies engaging in business in the state are legally responsible for payment of the tax. However, in practice TPT is passed on to consumers [A.R.S. § 42-5001].

*Internet Taxation.* A current topic in tax policy discussions is the extent to which transactions conducted on the Internet are subject to the sales tax. While the legal landscape is still evolving, we attempt to describe current Arizona policy with respect to 3 different Internet sales scenarios.

1. A consumer purchases an item on the Internet from a company headquartered out of state that also has a store in Arizona. This can be either a sales tax or a use tax situation, depending on whether the retailer has created a semi-separate Internet version of itself. If the product is shipped from the retailer's "Internet company" located in another state, it is a use tax situation. If the product is shipped from the local retail branch, it is a sales tax situation. Regardless, the vendor is required to collect the tax because it has a physical presence (nexus) in this state.
2. A consumer makes an Internet purchase from an out of state company that has no physical presence in Arizona but whose products are sold in Arizona retail stores. For example, consider a situation in which vitamins are bought on the Internet from an out-state company; this company's vitamins are also sold in Arizona grocery stores. In this case, the vendor is not responsible for collecting a tax for the state because it has no nexus in Arizona. The purchaser is legally responsible for paying the use tax.

## Transaction Privilege Tax

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3. A consumer buys something on the Internet from an out of state company that has no presence whatsoever in Arizona. Since the vendor has no nexus in Arizona, the purchaser is required to pay the use tax.

### Tribal Members and Businesses

Indian tribal members or companies engaged in business activities on the reservation are not subject to the sales tax. This exclusion applies to affiliated Indian members who have been adopted into the tribe and who have attained full and unrestricted membership privileges in that tribe.

Non-Indian or non-affiliated Indian retailers engaged in business activities located on the reservation are not subject to the sales tax if the activity is performed for an Indian tribal member of the reservation. The activity is subject to the sales tax, however, if it is performed for a non-Indian or non-affiliated Indian.

For business activities performed for Indian tribal members by retailers located off the reservation, those activities are subject to the sales tax. Sales of tangible personal property to an Indian tribal member, however, are not subject to the sales tax if the solicitation, delivery and payment of the goods take place on the reservation. In addition, the sale of a motor vehicle to an Indian tribal member who resides on the reservation is exempt from the sales tax [A.R.S. § 42-5061].

Other than motor vehicles sales, there are no specific statutory references related to the imposition of Arizona state sales tax on tribal members. Thus, to facilitate the administration of state sales tax on Indian reservations, DOR has adopted sales tax rulings based on the decisions in several court cases. The most recent ruling, which is reflected in the description above, was issued in April 1995 and is referred to as TPR 95-11.

### **TAX BASE AND RATE**

In general, the tax base is the gross proceeds of sales or gross income derived by a person from a taxable business. However, there are variations between the tax bases of the different classifications of the TPT, as specified in A.R.S. § 42-5061 - A.R.S. § 42-5077. Notably, the contracting tax has a unique tax base. The tax base for contractors is 65% of the value of a contract, based on the assumption that labor costs represent 35% of the value of a contract [A.R.S. § 42-5023].

*Exemptions.* There are numerous (over 100) sales tax exemptions provided in statute, such as exemptions for food and medicine. The effect of these exemptions is to reduce the size of the tax base. See *Table 4* for specific tax exemption statutes for each sales tax classification. Attached at the end of this section is the Transaction Privilege and Use Tax Expenditures section of DOR's publication, *The Revenue Impact of Arizona's Tax Expenditures, FY 2009/10 (Preliminary)*. This document provides a complete listing of the sales tax exemptions, and includes the estimated FY 2010 dollar impact of each exemption (where available). *Table 3* below lists exemptions with an estimated revenue impact of at least \$400 million in FY 2010. The complete list of tax expenditures is shown on pages 13 through 18.

<u>Exemptions</u>	<b>Additional Collections at a 5% Rate</b>
Wholesale Trade	\$3,543,110,000
Sale of Articles to be Incorporated into a Manufactured Product	1,366,270,000
Professional, Scientific, and Technical Services	933,100,000
Health Care and Social Assistance Services	875,610,000
Administrative and Business Support Services	861,330,000
Sale of Articles to a Contractor for Incorporation under a Contract	854,950,000
Food for Home Consumption	614,630,000
Commercial Lease	411,610,000

Source: DOR, The Revenue Impact of Arizona's Tax Expenditures Fiscal Year 2009/2010

*Tax Rates.* Once the net tax base is computed, it is multiplied by the applicable tax rate to derive the total tax due. The tax rates vary according to the business classification of the taxable activity. Most categories, however, are taxed at the rate of 6.6%. *Table 4* lists the tax rates for each classification. In addition, a complete list of sales tax

## Transaction Privilege Tax

rates by all Arizona cities, including the tax rates levied by state, county, and city governments, is provided in *Attachment A* at the end of this section [A.R.S. § 42-5010].

### TAX REFUNDS AND/OR TAX CREDITS

*Telecommunications Service Assistance Program.* Local exchange telephone companies may claim a tax credit for rate reductions given to elderly low-income persons [A.R.S. § 42-5016].

*Accounting Allowance.* A taxpayer may claim a tax credit of 1% of the amount of tax due, not to exceed \$10,000 in any calendar year. This credit is designed to reimburse taxpayers for expenses incurred in accounting for and reporting sales tax payments [A.R.S. § 42-5017].

### PAYMENT SCHEDULE

*Due Dates.* TPT is due to DOR every month on or before the 20th day of the month after the month in which the tax accrues. For example, for taxable sales made in January, a tax payment is due to DOR by February 20 [A.R.S. § 42-5014].

Table 4

#### TRANSACTION PRIVILEGE TAX CLASSIFICATIONS

<u>Classification</u>	<u>A.R.S. Exemption Statute</u>	<u>Tax Rate</u>	<u>Distribution Base</u> <sup>1/</sup>	<u>Non-Shared Base</u> <sup>2/</sup>	<u>Education</u> <sup>3/</sup>	<u>Proposition 100</u> <sup>4/</sup>
Retail	42-5061	6.6%	40% of first 5.0%	60% of first 5.0%	0.6% Increment	1.0% Increment
Transporting	42-5062	6.6%	20% of first 5.0%	80% of first 5.0%	0.6% Increment	1.0% Increment
Utilities	42-5063	6.6%	20% of first 5.0%	80% of first 5.0%	0.6% Increment	1.0% Increment
Telecommunications	42-5064	6.6%	20% of first 5.0%	80% of first 5.0%	0.6% Increment	1.0% Increment
Publication	42-5065	6.6%	20% of first 5.0%	80% of first 5.0%	0.6% Increment	1.0% Increment
Job Printing	42-5066	6.6%	20% of first 5.0%	80% of first 5.0%	0.6% Increment	1.0% Increment
Pipeline	42-5067	6.6%	20% of first 5.0%	80% of first 5.0%	0.6% Increment	1.0% Increment
Private Car Line	42-5068	6.6%	20% of first 5.0%	80% of first 5.0%	0.6% Increment	1.0% Increment
Transient Lodging	42-5070	6.6%	50%	50%	None	1.0% Increment
Personal Property Rental	42-5071	6.6%	40% of first 5.0%	60% of first 5.0%	0.6% Increment	1.0% Increment
Mining	42-5072	3.125%	32%	68%	None	None
Amusement	42-5073	6.6%	40% of first 5.0%	60% of first 5.0%	0.6% Increment	1.0% Increment
Restaurant and Bar	42-5074	6.6%	40% of first 5.0%	60% of first 5.0%	0.6% Increment	1.0% Increment
Prime Contracting	42-5075	6.6%	20% of first 5.0%	80% of first 5.0%	0.6% Increment	1.0% Increment
Owner Builder	42-5076	6.6%	20% of first 5.0%	80% of first 5.0%	0.6% Increment	1.0% Increment
Membership Camping	42-5077	6.6%	40% of first 5.0%	60% of first 5.0%	0.6% Increment	1.0% Increment

<sup>1/</sup> Represents the portion of revenues that is designated for the distribution base.

<sup>2/</sup> Represents the portion of revenues that is designated for the non-shared base.

<sup>3/</sup> Represents the portion of revenues that is designated for education.

<sup>4/</sup> Represents the portion of revenues that is designated for public primary and secondary education, health and human services, and public safety. This increment is not subject to the regular TPT distribution.

*Delinquency Dates.* Tax payments are delinquent if not postmarked on or before the 25th day of the month or received by DOR on or before the next-to-last business day of the month.

*Alternative Payment Schedules.* DOR may authorize different payment schedules depending on the taxpayer's estimated tax liability or transient nature of the business.

- Taxpayers with an estimated annual tax liability of \$500 or less may pay on an annual basis.
- Taxpayers with an estimated annual tax liability of between \$500 and \$1,250 may pay on a quarterly basis.
- Taxpayers whose business is of a "transient character" may be required to pay on a daily, weekly, or transaction-by-transaction basis.

*Estimated Tax Payments.* Taxpayers who pay income taxes and whose business had an annual sales tax liability in the preceding calendar year of \$1,000,000 or more must make a single estimated advance payment in June of each year. Normally, the full June tax bill would be due on July 20. This estimated payment is in addition to the regular

## Transaction Privilege Tax

June sales tax liability (which represents May sales). Laws 2010, 7<sup>th</sup> Special Session, Chapter 12 lowered the threshold for estimated TPT payments from \$1,000,000 in TPT tax liability to \$100,000 for FY 2010 through FY 2012. Prior to FY 2007, the threshold for estimated payments was \$100,000. Laws 2006, Chapter 351 increased the threshold to \$1,000,000.

Pursuant to A.R.S. § 42-5014, the estimated tax payment should equal either 1) one-half of the actual tax liability for May of the current calendar year, or 2) the actual tax liability for the first 15 days of June of the current calendar year. Estimated payments are due by June 20. In July of each year, those taxpayers who made estimated payments in the preceding month may subtract the amount of June's estimated payment from their July tax bill.

When the estimated payments program was first enacted in 1989, the estimated payments provided a one-time boost to state revenues by advancing a portion of the next fiscal year's revenues into the current fiscal year. If the program is ever eliminated (as is periodically proposed), it would entail a one-time cost to state revenues. This is because every July taxpayers make a "claim" for the preceding month's estimated payment, and every June taxpayers make a counterbalancing estimated payment. Eliminating the June payment leaves the July claim without a counterbalance – and the state with a one-time cost.

*Collection.* DOR may enter into agreements with cities and towns that levy TPT to provide a uniform method of administration, collection, and auditing of sales taxes. In FY 2010, DOR collected transaction privilege and use taxes for some 76 Arizona cities and towns (*see the DOR's 2010 Annual Report*) [A.R.S. § 42-6001]. Laws 2010, 2nd Regular Session, Chapter 154 requires cities or towns that do not enter into an agreement with DOR for the collection of municipal TPT to report to DOR by September 1 of each year the total amount of these taxes collected in the preceding fiscal year.

### IMPACT OF TAX LAW AND REVENUE CHANGES

The following section is a summary by year of tax law changes that have been enacted by the Legislature since 2005. The estimated initial dollar impact of these changes is summarized by fiscal year in *Table 5* below.

<b>ANNUAL INCREMENTAL DOLLAR IMPACT OF TAX LAW AND REVENUE CHANGES <sup>1/</sup></b>		
<b><u>Session/Chapter</u></b>	<b><u>Description</u></b>	<b><u>Revenue Impact</u></b>
<b><u>FY 2011</u></b>		
L 10, 6 <sup>th</sup> SS, SCR 1001	Increase TPT and use tax rate from 5.6% to 6.6% (Proposition 100)	\$ 824,756,300
<b><u>FY 2010</u></b>		
L 10, 7 <sup>th</sup> SS, Ch 12	Decrease Estimated Payment Threshold to \$100,000 for FY 2010 through FY 2012 (one-time FY 2010 impact)	\$ 48,000,000
<b><u>FY 2008</u></b>		
L 05, Ch 317	Motion Picture Production Exemptions	(100,000)
<b><u>FY 2007</u></b>		
L 06, Ch 333	Solar Energy Devices – Commercial Applications	(500,000)
L 06, Ch 351	Increase Estimated Payment Threshold to \$1.0 M (one-time FY 2007 impact)	(55,200,000)
L 06, Ch 354	Eliminate Sales Tax Categories	(200,000)
L 06, Ch 371	Liquid Natural Gas Exemption	(378,600)
L 05, Ch 317	Motion Picture Production Exemptions	<u>(600,000)</u>
Subtotal FY 2007		\$ (56,578,600)
<b><u>FY 2006</u></b>		
L 05, Ch 317	Motion Picture Production Exemptions	\$ (600,000)

<sup>1/</sup> Excluding Proposition 301 revenue.

## Transaction Privilege Tax

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### 2011 TAX LAWS

**Laws 2011, Chapter 40** prevents a city or town from imposing or increasing sales tax on residential renters unless approved by municipal voters. (Effective retroactively from January 1, 2011).

**Laws 2011, Chapter 66** prohibits a city or town from contracting with or employing auditors on a contingent fee basis for the purpose of auditing any TPT or affiliated taxes levied by the city or town. (Effective retroactively from January 1, 2011).

**Laws 2011, Chapter 129** requires the Department of Revenue to maintain an official and up-to-date copy of the Model City Tax Code (MCTC), which is to be posted on its website, beginning July 1, 2012.

**Laws 2011, Chapter 144** prevents cities or towns from levying TPT, use tax, or any similar tax, on the gross proceeds of sales or gross income derived from a commercial lease, if at least 80% of the voting shares of each corporation are owned by the same shareholders. (Effective July 20, 2011).

**Laws 2011, Chapter 249** provides that provisional community college districts are included in the distribution of Proposition 301 Workforce Development monies. (Effective October 1, 2011).

### 2010 TAX LAWS

**Laws 2010, 6<sup>th</sup> Special Session, SCR 1001** referred to the voters in a May 2010 Special Election a 3-year increase in the TPT, including the use tax from 5.6% to 6.6%. The extra 1.0% would be dedicated exclusively to public primary and secondary education, health and human services, and public safety. Proposition 100 was approved by the voters and the new rate began on June 1, 2010. The 1% is not subject to the regular TPT/use tax distribution, and is estimated to generate TPT and use tax revenues of \$825 million in FY 2011, \$901 million in FY 2012, and \$951 million in FY 2013. (Effective June 1, 2010)

**Laws 2010, 7<sup>th</sup> Special Session, Chapter 12** lowered the threshold for estimated TPT payments from \$1,000,000 in TPT tax liability to \$100,000 for FY 2010 through FY 2012. It is estimated that this would generate one-time revenues of \$48,000,000 in FY 2010. Beginning in FY 2013, the threshold reverts back to \$1,000,000.

**Laws 2010, 7<sup>th</sup> Special Session, Chapter 12** eliminated the Tourism funding formula, which had previously allowed the Tourism Fund to collect 3.5% of last year's gross transient lodging tax revenues, 3.0% of last year's gross amusement tax revenues, and 2.0% of last year's gross restaurant and bar tax revenues. This legislation was estimated to increase ongoing General Fund revenues by \$10,655,200. Laws 2010, Chapter 128 reinserted the Tourism funding formula in statute but left the formula inactive pending future legislative authorization.

**Laws 2010, Chapter 225** extended the TPT and use tax exemptions for the Environmental Technology Assistance Program for 5 additional taxable years.

**Laws 2010, Chapter 294** delayed the termination of the prime contracting TPT exemption for the installation of solar energy devices for commercial or industrial use by 6 taxable years.

### 2009 TAX LAWS

**Laws 2009, 1<sup>st</sup> Special Session, Chapter 3** established a state and county tax amnesty program, which ran from May 1, 2009 through June 1, 2009. The program allowed DOR to abate or waive all or part of penalties and to impose reduced interest payments for tax liabilities for all qualifying taxpayers. To qualify for the program, a taxpayer must have filed a return, and paid any balance due by June 1, 2009. The one-month amnesty program generated a total of \$31.8 million, including \$16.7 million in corporate income taxes, \$2.1 million in individual income taxes, and \$13.0 million in sales tax revenue. After accounting for sales taxes collected on the behalf of counties, and revenue sharing to cities and counties, a total of \$27.3 million was deposited into the state's General Fund. The one-time revenue impact of the tax amnesty program has not been included in the tax law changes table at the beginning of this section.

**Laws 2009, 4<sup>th</sup> Special Session, Chapter 3** changed the end of the state's General Fund contribution to the Rio Nuevo multipurpose facility district from 2025 to the earlier of that date or the completion of the currently scheduled

## **Transaction Privilege Tax**

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debt service payments. Chapter 3 also stated that no state funds may be used for operating expenses of the facility, or for any costs that qualify for funding from the Arizona Convention Center Development Fund.

### **2008 TAX LAWS**

**Laws 2008, Chapter 194** provided that internet application for services designed to assess student learning, or to promote curriculum design are exempt from the TPT, the telecommunications classification, and the rental property classification. The impact to the General Fund has not been determined. (Effective retroactively to January 1, 2000)

**Laws 2008, Chapter 255** provided that preconstruction services related to prime constructing to be exempt from TPT. The impact to the General Fund has not been determined. (Effective retroactively to January 1, 2001)

**Laws 2008, Chapter 303** modified the deduction for development fees from TPT for prime contractors or subcontractors. Chapter 303 intends to clarify, and not to expand, the provisions of Laws 2006, Chapter 386, relating to deduction of development fees. The impact to the General Fund has not been determined. (Effective retroactively to September 1, 2006)

### **2007 TAX LAWS**

**Laws 2007, Chapter 169** provided that medallions and coins that are authorized by the Arizona Historical Advisory Commission to commemorate Arizona's 2012 statehood centennial to be exempt from state and local TPT. (Effective September 19, 2007)

**Laws 2007, Chapter 188** established a mechanism to determine TPT liability under the prime contracting classification for former property owners who make improvements that are not included in the original sales contract after title to the property has been transferred to a new owner. It excludes property owners who hire contractors to make improvements from being defined as prime contractors, regardless of the existence of a sales contract, retroactive to January 8, 1991. Chapter 188 allows the former property owner to be liable for TPT under the prime contracting classification only on improvements not included in the sales contract made by the former owner after the title to the property has been transferred to a new owner. A refund mechanism is established by which refunds for taxable periods after January 8, 1991 may be claimed if they are filed before January 1, 2008. The maximum cumulative amount of refunds is limited to \$10,000. Valid aggregate claims in excess of \$10,000 will result in the proportional reduction of all refunds. (Effective September 19, 2007)

**Laws 2007, Chapter 265** repealed Laws 2002, Chapter 330, which limited the tribal community colleges transfer of TPT revenues to Diné College. It increased the recipients of the TPT distributions to include qualifying Indian tribes, with the funds to be used for maintenance, renewal and capital expenses of community colleges owned, operated and chartered by the tribes. Chapter 265 allowed for existing compacts between qualifying Indian tribes and the state to be renewed for 10 years after a hearing and review of the compact during the last year of the compact's first 10-year term. This legislation was estimated to increase Arizona Community Colleges General Fund expenditures by \$194,000 in FY 2008. (Effective September 19, 2007)

**Laws 2007, Chapter 276** penalized municipalities located entirely within metropolitan areas with populations exceeding 2 million people that provide retail tax incentives to induce businesses to locate within their borders. This penalty does not apply to cities or towns that adopted retail tax incentives prior to July 1, 2007, and several other exceptions are provided. Municipalities are required to report to DOR the value of any actual or contingent tax incentives offered to retail businesses as an inducement or in exchange for locating within their borders. Municipalities that do offer these incentives shall be penalized by a commensurate reduction in state shared revenue. (Effective September 19, 2007)

### **2006 TAX LAWS**

**Laws 2006, Chapter 105** clarified that the sales tax does not apply to postage in printing jobs. Under the job printing classification, printing jobs may include pre-printed postage. This chapter clarified that the amount collected by the business for the postage is exempt from the sales tax. This legislation has no fiscal impact. (Effective September 21, 2006)

## **Transaction Privilege Tax**

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**Laws 2006, Chapter 123** modified the due dates for sales tax payments by standardizing the delinquent date for all payments, regardless of how the payments are made. The chapter clarified that payments, including electronic payments, are delinquent if they are not received by DOR by the second to the last day of the month, and that payments received by mail must be postmarked before the 25<sup>th</sup> day of the month. This legislation has no fiscal impact. (Effective September 21, 2006)

**Laws 2006, Chapter 171** provided a municipal sales tax exemption for the state fair. Current statute exempts income received from state and county fairs from the state sales tax. This chapter expanded that exemption to municipal sales taxes. This legislation has no state fiscal impact. (Effective retroactively from June 30, 1999)

**Laws 2006, Chapter 222** expanded the sales tax exemption made available to motion picture producers by Laws 2005, Chapter 317 to include printing activity related to motion picture production. The printing exemption was estimated to have a negligible fiscal impact. (Effective retroactively from January 1, 2006)

**Laws 2006, Chapter 225** exempted food donated by a restaurant to a qualified nonprofit organization that regularly serves free meals to the needy from the sales and use tax. The donated food exemption was estimated to have a negligible fiscal impact. (Effective September 21, 2006)

**Laws 2006, Chapter 321** exempted the sale of food prepared off campus that is provided to school districts, charter and private schools for consumption during school hours from TPT and use tax. (Effective September 21, 2006)

**Laws 2006, Chapter 333** eliminated the \$5,000 cap on the existing sales tax exemption for the purchase of solar energy devices. The removal of the cap is expected to reduce sales tax revenue by approximately \$(500,000) per fiscal year. (Effective retroactively from January 1, 2006)

**Laws 2006, Chapter 351** increased the threshold beyond which a June estimated sales tax payment is required from the current \$100,000 to \$1.0 million. (Effective September 21, 2006)

**Laws 2006, Chapter 354** eliminated the sales tax on membership camping fees. The state revenue impact was estimated to be \$(100,000) in FY 2007 and \$(120,000) per year in subsequent fiscal years. (Effective November 1, 2006)

**Laws 2006, Chapter 371** provided an exemption from sales and use tax for natural gas purchased to fuel equipment used to convert natural gas into liquefied natural gas. This exemption is expected to result in a decrease of \$(379,000) per fiscal year in sales and use tax collections.

### **2005 TAX LAWS**

**Laws 2005, Chapter 11** made technical, conforming, and clarifying corrections to the tax statutes. The act repealed a section of statute exempting intrastate railroad fertilizer transportation from the sales tax, but added the exemption to the transportation classification. It also clarified that purchasers of goods subject to the use tax have the option of paying the tax directly to DOR. This legislation has no fiscal impact. (Effective August 12, 2005)

**Laws 2005, Chapter 39** increased the maximum hotel tax rate in Pima County from 2% to 6% and struck an existing provision that would have adjusted the maximum rate to 1% after December 31, 2012. The legislation also decreased, from 50% to 34%, the amount of revenues generated from the tax that may be dedicated toward the construction and operation of a Major League Baseball spring training stadium or facility, and instead authorized the county to use up to 16% of its revenues for economic development activities. (Effective August 12, 2005)

**Laws 2005, Chapter 62** made clarifications to the transportation, telecommunications, transient lodging, and amusement classifications. The act specified that, retroactive to June 30, 1993, arranging for transportation or amusement activities as a service to a person's customers is exempt from the sales tax if the person is not otherwise engaged in that type of business. The legislation also specified that telephone, fax, or internet services provided at an additional charge by a transient lodging business are subject to the sales tax. This legislation has no fiscal impact. (Effective August 12, 2005)

**Laws 2005, Chapter 317** granted qualifying motion picture companies sales and use tax exemptions for certain expenses, including machinery and equipment, lodging space leases or rentals, catered food and drink, and building (or other structure) construction. To qualify, a motion picture company must incur production costs of at least

## **Transaction Privilege Tax**

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\$250,000 in one year and must employ a certain percentage of Arizona residents in the production. The act also repealed the existing 50% motion picture sales tax refund. This legislation was estimated to have a General Fund cost of \$(600,000) in FY 2006. (Effective August 12, 2005)

A listing of tax law changes prior to the 2005 legislative session is available on the JLBC website located at [www.azleg.gov/jlbc/11taxbook/11taxbk.pdf](http://www.azleg.gov/jlbc/11taxbook/11taxbk.pdf).

# Transaction Privilege Tax

## Attachment A

### State and Local Retail Sales Tax Rates by City June 2011

Cities by County	State	County					City	Total Rate	Cities by County	State	County					City	Total Rate
		GF	Road	Jail	Capital	Health					GF	Road	Jail	Capital	Health		
<b>Apache County</b>								<b>Maricopa County</b>									
Eagar	6.60	0.50	-	-	-	-	3.00	10.10	Scottsdale	6.60	-	0.50	0.20	-	-	1.65	8.95
St. Johns	6.60	0.50	-	-	-	-	2.00	9.10	Surprise	6.60	-	0.50	0.20	-	-	2.20	9.50
Springerville	6.60	0.50	-	-	-	-	3.00	10.10	Tempe	6.60	-	0.50	0.20	-	-	2.00	9.30
<b>Cochise County</b>								<b>Mohave County</b>									
Benson	6.60	0.50	-	-	-	-	2.50	9.60	Tolleson	6.60	-	0.50	0.20	-	-	2.50	9.80
Bisbee	6.60	0.50	-	-	-	-	2.50	9.60	Wickenburg	6.60	-	0.50	0.20	-	-	2.20	9.50
Douglas	6.60	0.50	-	-	-	-	2.80	9.90	Youngtown	6.60	-	0.50	0.20	-	-	3.00	10.30
Huachuca City	6.60	0.50	-	-	-	-	1.50	8.60	<b>Navajo County</b>								
Sierra Vista	6.60	0.50	-	-	-	-	1.75	8.85	Holbrook	6.60	0.50	-	-	-	-	3.00	10.10
Tombstone	6.60	0.50	-	-	-	-	2.50	9.60	Pinetop-Lakeside	6.60	0.50	-	-	-	-	2.50	9.60
Willcox	6.60	0.50	-	-	-	-	3.00	10.10	Show Low	6.60	0.50	-	-	-	-	2.00	9.10
<b>Coconino County</b>								<b>Pima County</b>									
Flagstaff	6.60	0.50	-	0.50	0.125	-	1.721	9.446	Marana	6.60	-	0.50	-	-	-	2.00	9.10
Fredonia	6.60	0.50	-	0.50	0.125	-	4.00	11.725	Oro Valley	6.60	-	0.50	-	-	-	2.00	9.10
Page	6.60	0.50	-	0.50	0.125	-	3.00	10.725	Sahuarita	6.60	-	0.50	-	-	-	2.00	9.10
Sedona	6.60	0.50	-	0.50	0.125	-	3.00	10.725	South Tucson	6.60	-	0.50	-	-	-	2.50	9.60
Tusayan	6.60	0.50	-	0.50	0.125	-	2.00	9.725	Tucson	6.60	-	0.50	-	-	-	2.00	9.10
Williams	6.60	0.50	-	0.50	0.125	-	3.00	10.725	<b>Pinal County</b>								
<b>Gila County</b>								<b>Santa Cruz County</b>									
Globe	6.60	0.50	0.50	-	-	-	2.00	9.60	Apache Junction	6.60	0.50	0.50	-	-	0.10	2.20	9.90
Hayden	6.60	0.50	0.50	-	-	-	3.00	10.60	Casa Grande	6.60	0.50	0.50	-	-	0.10	2.00	9.70
Miami	6.60	0.50	0.50	-	-	-	2.50	10.10	Coolidge	6.60	0.50	0.50	-	-	0.10	3.00	10.70
Payson	6.60	0.50	0.50	-	-	-	2.12	9.72	Eloy	6.60	0.50	0.50	-	-	0.10	3.00	10.70
Star Valley	6.60	0.50	0.50	-	-	-	2.00	9.60	Florence	6.60	0.50	0.50	-	-	0.10	2.00	9.70
Winkelman	6.60	0.50	0.50	-	-	-	3.50	11.10	Kearny	6.60	0.50	0.50	-	-	0.10	3.00	10.70
<b>Graham County</b>								<b>Santa Cruz County</b>									
Pima	6.60	0.50	-	-	-	-	2.00	9.10	Mammoth	6.60	0.50	0.50	-	-	0.10	2.00	9.70
Safford	6.60	0.50	-	-	-	-	2.50	9.60	Marana	6.60	0.50	0.50	-	-	0.10	2.00	9.70
Thatcher*	6.60	0.50	-	-	-	-	2.00	9.10	Maricopa	6.60	0.50	0.50	-	-	0.10	2.00	9.70
<b>Greenlee County</b>								<b>Santa Cruz County</b>									
Clifton	6.60	0.50	-	-	-	-	3.00	10.10	Queen Creek	6.60	0.50	0.50	-	-	0.10	2.25	9.95
Duncan	6.60	0.50	-	-	-	-	2.00	9.10	Superior	6.60	0.50	0.50	-	-	0.10	2.00	9.70
<b>La Paz County</b>								<b>Santa Cruz County</b>									
Parker	6.60	0.50	-	0.50	-	-	2.00	9.60	Winkelman	6.60	0.50	0.50	-	-	0.10	3.50	11.20
Quartzsite	6.60	0.50	-	0.50	-	-	2.50	10.10	<b>Yavapai County</b>								
<b>Maricopa County</b>								<b>Santa Cruz County</b>									
Apache Junction	6.60	-	0.50	0.20	-	-	2.20	9.50	Nogales	6.60	0.50	-	0.50	-	-	2.00	9.60
Avondale	6.60	-	0.50	0.20	-	-	2.50	9.80	Patagonia	6.60	0.50	-	0.50	-	-	3.00	10.60
Buckeye	6.60	-	0.50	0.20	-	-	3.00	10.30	<b>Yavapai County</b>								
Carefree	6.60	-	0.50	0.20	-	-	3.00	10.30	Camp Verde	6.60	0.50	-	0.25	-	-	2.00	9.35
Cave Creek	6.60	-	0.50	0.20	-	-	3.00	10.30	Chino Valley	6.60	0.50	-	0.25	-	-	3.00	10.35
Chandler	6.60	-	0.50	0.20	-	-	1.50	8.80	Clarkdale	6.60	0.50	-	0.25	-	-	3.00	10.35
El Mirage	6.60	-	0.50	0.20	-	-	3.00	10.30	Cottonwood	6.60	0.50	-	0.25	-	-	3.00	10.35
Fountain Hills	6.60	-	0.50	0.20	-	-	2.60	9.90	Dewey-Humboldt	6.60	0.50	-	0.25	-	-	2.00	9.35
Gila Bend	6.60	-	0.50	0.20	-	-	3.00	10.30	Jerome	6.60	0.50	-	0.25	-	-	3.50	10.85
Gilbert	6.60	-	0.50	0.20	-	-	1.50	8.80	Prescott	6.60	0.50	-	0.25	-	-	2.00	9.35
Glendale	6.60	-	0.50	0.20	-	-	2.20	9.50	Prescott Valley	6.60	0.50	-	0.25	-	-	2.33	9.68
Goodyear	6.60	-	0.50	0.20	-	-	2.50	9.80	Sedona	6.60	0.50	-	0.25	-	-	3.00	10.35
Guadalupe**	6.60	-	0.50	0.20	-	-	3.00	10.30	<b>Yuma County</b>								
Litchfield Park	6.60	-	0.50	0.20	-	-	2.80	10.10	San Luis	6.60	0.50	-	0.50	-	0.10	4.00	11.70
Mesa	6.60	-	0.50	0.20	-	-	1.75	9.05	Somerton	6.60	0.50	-	0.50	-	0.10	3.30	11.00
Paradise Valley	6.60	-	0.50	0.20	-	-	1.65	8.95	Wellton	6.60	0.50	-	0.50	-	0.10	2.50	10.20
Peoria	6.60	-	0.50	0.20	-	-	1.80	9.10	Yuma	6.60	0.50	-	0.50	-	0.10	1.70	9.40
Phoenix	6.60	-	0.50	0.20	-	-	2.00	9.30									
Queen Creek	6.60	-	0.50	0.20	-	-	2.25	9.55									

Sources: League of Arizona Cities & Towns; Arizona Department of Revenue

\* Effective July 1, 2011, the TPT rate for Thatcher increases from 2% to 2.5%.

\*\* Effective July 1, 2011, the TPT rate for Guadalupe increases from 3% to 4%.

## Transaction Privilege Tax

The following preliminary information on sales tax exemptions and credits for FY 2010 is provided courtesy of DOR.

### TRANSACTION PRIVILEGE AND USE TAX EXPENDITURES

	Additional Collections at a 5% Rate
<b>PREFERENTIAL TAX RATE CATEGORIES</b>	
Nonmetalliferous Mining; Oil and Gas Production .....	\$1,930,000
Commercial Lease .....	411,610,000
Rental Occupancy Tax.....	NIA*
<b>Total Preferential Tax Rates.....</b>	<b>\$413,540,000</b>
<b>CREDITS</b>	
Accounting Credit.....	<u>\$15,710,000</u>
<b>Total Credits .....</b>	<b>\$15,710,000</b>
<b>EXEMPTIONS</b>	
<u>Professional Scientific and Technical Services:</u>	
Legal .....	\$159,910,000
Architectural and Engineering .....	206,900,000
Specialized Design Services .....	17,360,000
Computer System Design and Related Services .....	239,140,000
Management, Scientific and Technical Consulting.....	94,830,000
Scientific Research and Development .....	36,230,000
Advertising, Public Relations and Related Services .....	56,230,000
Other Professional, Scientific and Technical Services.....	46,880,000
Accounting, Tax Preparation & Bookkeeping .....	75,630,000
Total Reportable Professional, Scientific and Technical Services.....	\$933,100,000
<u>Health Care and Social Assistance Services:</u>	
Physicians .....	\$344,880,000
Dentists .....	108,880,000
Chiropractors .....	13,070,000
Optometrists.....	9,090,000
Mental Health Practitioners .....	4,130,000
Specialty Therapists .....	17,490,000
All Other Health Practitioners.....	8,230,000
Outpatient Care Centers.....	82,290,000
Medical Diagnostic Labs .....	53,890,000
Home Health Services.....	39,210,000
Other Ambulatory Health Services .....	70,510,000
Nursing Care Facilities .....	47,510,000
Residential Mental Health Facilities .....	28,030,000
Community Care Facilities .....	41,510,000
Other Residential Care Facilities .....	6,890,000
Total Reportable Health Care Services.....	\$875,610,000
<u>Administrative and Business Support Services</u>	
Office Administrative Services .....	\$53,210,000
Facilities Support Services.....	26,290,000
Employment Placement and Executive Search Services .....	23,220,000
Business Support Services .....	470,220,000
Services to Buildings and Dwellings .....	156,120,000
Investigation and Security.....	41,280,000

## Transaction Privilege Tax

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Other Support Services .....	31,570,000
Waste Management and Remediation Services .....	59,430,000
Total Reportable Administrative and Business Support Services.....	\$861,330,000

### Personal Care Services

Barber .....	\$610,000
Beauty Salons .....	19,500,000
Nail Salons.....	900,000
Other Personal Care .....	5,170,000
Death Care Services.....	8,640,000
Drycleaner & Laundry .....	23,190,000
Pet Care (not Veterinary).....	2,750,000
Parking lot/garages .....	7,840,000
Other Personal Services .....	3,370,000
Total Reportable Personal Care Services.....	\$71,980,000

### Educational Services

Business School/Computer/Management Training.....	\$5,360,000
Technical and Trade Schools .....	21,060,000
Other Schools and Instruction.....	16,860,000
Education Support Services .....	5,460,000
Total Educational Services .....	\$48,740,000

### Financial Services

Mortgage and Nonmortgage Loan Brokers.....	\$26,430,000
Financial Transaction Processing and Clearing .....	92,320,000
Other Activities Related to Credit Intermediation .....	18,150,000
Securities and Commodity Contracts Intermediation .....	137,970,000
Portfolio Management .....	51,480,000
Investment Advice .....	9,700,000
All Other Financial Investment Activities .....	4,770,000
Total Reportable Financial Services .....	\$340,820,000

### Other Services

Automotive Repair and Maintenance .....	\$101,260,000
Electronic and Precision Repair and Maintenance.....	7,750,000
Commercial, Industrial Machinery Repair and Maintenance .....	19,490,000
Personal and Household Goods Repair and Maintenance.....	5,010,000
Data Processing, Hosting and Related Services.....	62,420,000
Local Messengers and Local Delivery.....	2,660,000
Total Reportable Other Services.....	\$198,590,000

Wholesale Trade.....	\$3,543,110,000
Cash Discounts .....	NIA*
Trade-Ins.....	NIA*
Sale of Warranty or Service Contracts .....	32,200,000
Sale of Tangible Personal Property by a Nonprofit Organization .....	NIA*
Sale of Stocks and Bonds .....	NIA*
Prescription Drugs and Medical Oxygen.....	324,040,000
Eyeglasses and Contact Lenses, Insulin, Insulin Syringe and Glucose Test Strips, Prosthetic Appliances, Hearing Aids and Durable Medical Equipment .....	25,550,000
Sales to Nonresidents for Use Outside Arizona if the Property is Shipped or Delivered Outside the State .....	113,050,000
Food for Home Consumption .....	614,630,000
Textbooks That are Required by any State University or Community College.....	6,550,000
Meals Provided to Employees of Restaurants .....	NIA
Food Used in School Lunches .....	NIA*
Sale of Arizona Lottery Tickets.....	27,570,000

## Transaction Privilege Tax

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Precious Metal Bullion and Monetized Bullion.....	NIA*
Tangible Personal Property Sold to a Qualifying Hospital or a Qualifying Health Care Organization.....	46,910,000
Tangible Personal Property Sold to or Purchased by Qualifying Community Health Centers and Health Care Organizations .....	NIA*
Tangible Personal Property Sold to a Non-Profitable Organization which Regularly Serves Meals to the Needy and Indigent .....	1,440,000
Tangible Personal Property Sold to a Non-Profitable Organization which Provides Housing for Low Income Persons Over Sixty-Two Years.....	NIA*
Gross Proceeds from Contracts to Build Housing for Nonprofits to House Low Income Persons Over Sixty-Two Years .....	NIA*
Magazines or other Periodicals or other Publications to Encourage Tourist Travel.....	NIA*
Sale of Articles to a Contractor for Incorporation or Fabrication Under a Contract.....	\$854,950,000
Sale of Articles to be Incorporated into a Manufactured Product.....	1,366,270,000
Exempt Motor Vehicle Sales (certain nonresidents and Indians) .....	19,110,000
Tangible Personal Property Purchased by a Nonprofit Charitable Organization That Uses Such Property for Training, etc., for Mentally or Physically Handicapped Persons.....	NIA*
Tangible Personal Property Sold by a Nonprofit Organization Associated with a Major League Baseball Team or a National Touring Professional Golf Association .....	NIA*
Tangible Personal Property Sold by a Nonprofit Organization Associated with a Rodeo Featuring Primarily Farm and Ranch Animals .....	NIA*
Sales of Commodities under Futures Contracts Consigned to a Warehouse for Resale.....	NIA*
Seeds, Seedlings, Roots, Bulbs, Cuttings and Other Propogative Material Used to Commercially Produce Agricultural, Horticultural, Viticultural or Floricultural Crops in Arizona.....	1,570,000
Machinery, Equipment and Certain Supplies Used to Assist the Physically or Developmentally Disabled or those Persons with Head Injuries.....	NIA*
Tangible Personal Property Shipped or Delivered Directly to a Foreign Country for use in that Country....	14,920,000
Sales of Natural Gas or Liquefied Petroleum Gas used to Propel a Motor Vehicle .....	10,520,000
Paper Machine Clothing Used or Consumed in Paper Manufacturing .....	NIA*
Machinery, Equipment, Utility Product, Materials and Other Tangible Personal Property Used to Construct a Qualified Environmental Technology Facility.....	NIA*
Sales of Coal, Petroleum, Coke, Natural Gas, Virgin Fuel Oil and Electricity to an Environmental Technology Facility .....	2,130,000
Sales of Liquid, Solid or Gaseous Chemicals Used in Manufacturing, Processing, Fabricating, Mining, Refining, Metallurgical Operations or Research and Development.....	8,010,000
Sales of Food or Drink Consumed on the Premises of a Jail, Prison,.....	2,745,000
Motor Vehicles and any Tangible Personal Property or Repair that Becomes a Part of the Motor Vehicles sold to a Licensed Motor Operator that Lease or Rent the Property .....	7,770,000
Livestock, Poultry, Feed and Supplies for Use or Consumption in the Businesses of Farming, Ranching and Feeding Livestock and Poultry .....	NIA*
Livestock, Poultry Feed, Salts, Vitamins for Livestock or Poultry Consumption .....	14,750,000
Sale or Purchase of Implants Used as Growth Promotants and Injectable Medicine .....	130,000
Sales of Motor Vehicles at Auction to Nonresidents of this State for Use Outside of this State.....	6,810,000
Personal Hygiene Products Which are Furnished to and to be Consumed by Hotel Occupant .....	NIA*
Sales or Purchases of Alternative Fuel to a Used Oil Fuel Burner .....	NIA*
Printed, Photographic, Electronic or Digital Media Materials for use in Publicly Funded Libraries .....	580,000
Tangible Personal Property Consisting of Food, Beverages and Condiments Sold to or Purchased by a Commercial Airline.....	30,000
Sale of New Alternative Fuel Vehicles and Conversion Equipment .....	NIA*
Sale of Spirituous, Vinous or Malt Liquor by a Liquor Wholesaler .....	NIA*
Property to be Incorporated as Part of Environmental Response or Remediation Activities .....	NIA*
Sale of Arizona Centennial Medallions by the Historical Advisory Commission.....	NIA*
Application Services Designed to Assess or Test Student Learning .....	NIA*
Tangible Personal Property by a Nonprofit that Produces, Organizes or Promotes Cultural or Civic Related Festivals .....	NIA*
Machinery or Equipment used directly in Manufacturing, Processing, Fabricating, Job Printing, Refining or Metallurgical Operations .....	33,350,000
Sale of Machinery or Equipment Used in Mining and in Drilling for or Extracting Oil or Gas from the Earth.....	29,920,000

## Transaction Privilege Tax

Certain Equipment used in the Telecommunications Industry .....	NIA*
Machinery, Equipment or Transmission Lines used directly in Producing or Transmitting	
Electrical Power .....	38,270,000
Neat Animals, Horses, Asses, Sheep, Swine or Goats used or to be used as breeding or production stock .....	NIA*
Pipes or Valves Four Inches in Diameter Used to Transport Oil, Natural Gas, Artificial Gas,	
Water or Coal Slurry .....	18,170,000
Certain Aircraft, Navigational and Communication Instruments .....	5,550,000
Machinery, Tools, Equipment Used in Repairing, Remodeling or Maintaining Aircraft, Aircraft	
Engines or Aircraft Component Parts .....	NIA*
Railroad Rolling Stock, Rails, Ties and Signal Control Equipment Used to Transport Persons or	
Property for Hire .....	NIA*
Buses or Other Urban Mass Transit Vehicles Used to Transport Persons For Hire or Pursuant	
to a Governmentally Adopted and Controlled Urban Mass Transportation Program .....	NIA*
Certain Groundwater Measuring Devices and Their Installation .....	NIA*
New Machinery and Equipment Used for Commercial Production of Agricultural,	
Horticultural, Viticultural and Floricultural Crops .....	NIA*
Machinery or Equipment used in Research and Development .....	NIA*
Machinery and Equipment Purchased by or on Behalf of Owners of a Soundstage Complex .....	NIA*
Tangible Personal Property Used by any Direct Broadcast Satellite Television	
or Data Transmission Service or Facility .....	NIA*
Sales of Services by Direct Broadcast Satellite Television Services .....	NIA*
Clean Rooms Used for Manufacturing, Processing Fabrication or Research and Development .....	4,500,000
Gross Income from Installation, Assembly, Repair or Maintenance Clean Rooms .....	NIA*
Machinery and Equipment Used in the Feeding of Poultry or Production and Packaging of Eggs .....	NIA*
Machinery and Equipment used to Meet Land, Water and Air Quality Standards .....	NIA*
Machinery and Equipment used by Agriculture to Prevent, Monitor, Control or Reduce Pollution .....	NIA*
Digital Television Machinery and Equipment Purchases for Compliance with the	
Telecommunications Act of 1996 .....	NIA*
Machinery and Equipment sold or rented to a Healthy Forest Certified Business .....	60,000
Machinery, Equipment and Tangible Personal Property Used Directly in Motion Picture Production	
by a Motion Picture Production Company .....	NIA*
Portion of Sales Price of Luxury Automobiles that Reflects the Federal Luxury Excise Tax .....	NIA*
Portion of Sales Price of Use Fuel that Reflects the Federal Luxury Excise Tax .....	NIA*
Gross Income from Machinery, Equipment and Materials used Directly to Construct a	
Qualified Environmental Technology Facility .....	NIA*
Sales of Overhead Materials or Other Tangible Personal Property to a Manufacturer, Modifier,	
Assembler or Repairer if Performing a Contract between the United States Government	
and the Manufacturer .....	NIA*
Sales of Tangible Personal Property made to the United States Government Not Deducted	
under A.R.S. §42-5061L .....	NIA*
Gross Income from Motor Vehicle Manufacturer's Cash Rebates if Assigned to the Retailer .....	8,390,000
Gross Income derived from the Waste Tire Disposal Fee .....	NIA*
Sales of Solar Energy Devices .....	8,170,000
Sales of Wireless Telecommunication Equipment as an Inducement to Enter Into or Continue a	
Contract for Telecommunication Services or Sales Commissions Received .....	NIA*
Ambulances or Ambulance Services .....	NIA*
Public Transportation Services for Dial-A-Ride Programs and Special Needs Transportation Services .....	NIA*
Gross Proceeds for Transporting Freight or Property by an Exclusively Arizona Railroad for	
Portions of Single Shipments Involving Other Railroads .....	NIA*
Gross Proceeds for Arranging Transportation as a Convenience or Service to a Customer if the	
Business is not Otherwise Engaged in the Transportation Business .....	NIA*
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 .....	NIA*
Gross Proceeds of Sales or Gross Income Derived from Transporting Fertilizer by a Railroad from a	
Point in this State to Another Point in this State .....	NIA*
Sales of Electricity to a Distributor .....	NIA*
Sales of Alternative Fuel to a Used Oil Fuel Burner .....	NIA*
Sales of Electric Services to a Retail Electric Customer Who Is Located Outside This State for	

## Transaction Privilege Tax

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Delivery and Use Outside the State .....	NIA*
Revenues Received by a Municipally Owned Utility in the form of Fees Charged to Persons	
Constructing Residential, Commercial or Industrial Developments .....	NIA*
Revenues Received By Any Person Owning a Utility System in the Form of Reimbursement or	
Contribution Compensation for Property and Equipment Installed to Provide Utility Access to,	
on or Across the Land of an Actual Utility Consumer .....	NIA*
Interstate Sales of Electricity, Natural Gas & Water .....	NIA*
Interstate Telecommunication Services .....	NIA*
Sales of Intrastate Telecommunications Services by a Cable Television System or by a	
Microwave Television Transmission System .....	NIA*
Sales of Internet Access Services .....	1,980,000
End User Common Line Charges and Carrier Access Charges Established by Federal	
Communications Regulations .....	NIA*
Sales of Direct Broadcast Satellite Television Services .....	NIA*
Manufacturing or Publishing Books .....	NIA*
Gross Income of Publications Derived from Advertising.....	Included in Services
Sales to a Person who Distributes Printing, Engraving, Embossing or Copying Without	
Consideration In Connection With the Publication of a Newspaper or Magazine.....	NIA*
Sales of Job Printing, Engraving, Embossing, and Copying for Use Outside the State if the	
Materials are Shipped or Delivered Out of the State .....	NIA*
Sales of Postage and Freight.....	650,000
Sales of Job Printing, Engraving, Embossing or Copying to a Motion Picture Production Company .....	NIA*
Leasing or Renting Four or Fewer Rooms of an Owner Occupied Residence Bed and Breakfast	
with less than 50% Average Annual Occupancy .....	NIA*
Leasing Films, Tapes or Slides Used by Theaters or Movies or Used By Television Stations or Radio Stations ..	NIA*
Operating Coin Operated Washing, Drying and Dry Cleaning Machines .....	NIA*
Operating Coin Operated Car Washing Machines.....	NIA*
Leasing or Renting Personal Property for Incorporation into a Qualified Environmental Technology Facility ....	NIA*
Leasing or Renting Aircraft or Training Equipment by a Non-Profit School Offering Aviation	
and Aerospace Degrees.....	NIA*
Leasing or Renting Photographs, Transparencies or Other Creative Works used by this State on	
Internet Web Sites, in Magazines or Other Publications that Encourage Tourism .....	NIA*
Amounts Received by a Motor Vehicle Dealer for the First Month of a Lease Payment if the Lease	
is Transferred to a Third Party .....	950,000
Freight Charges Relating Nonmetalliferous Mineral Products .....	NIA*
Tuition and Fees Paid to Universities & Community Colleges .....	NIA*
Private or Group Instructional Activities and Membership and Initiation Fees for Health or Fitness	
Clubs or Private Recreational Establishments with Memberships Greater than 28 Days .....	NIA*
Events Sponsored by the Arizona Coliseum & Exposition Board.....	NIA*
Musical, Dramatic or Dance groups or a Botanical Garden, Museum or Zoo that Qualifies as a	
Nonprofit Charitable Organization .....	NIA*
Sales of Admissions to Intercollegiate Football Contests.....	NIA*
Fees and Assessments Received by a Homeowners Organization .....	NIA*
Arranging an Amusement Activity as a Service to a Person's Customers .....	NIA*
2009 NBA All Star Game Events.....	NIA*
Sales By a Congressionally Chartered Veterans Organization of Food or Drink.....	NIA*
Sales By Churches, Fraternal Benefit Societies and Other Nonprofit Organizations Which Do Not	
Regularly Engage or Continue in the Restaurant Business for the Purpose of Fund Raising .....	NIA*
Restaurant Sales to Qualifying Hospitals .....	NIA*
Wages & Salaries for Labor Employed in Construction.....	309,760,000
Sale Price of Land.....	18,080,000
Contracting in a Military Reuse Zone for a Manufacturer, Assembler or Fabricator of	
Aviation or Aerospace Products .....	NIA*
Gross Proceeds from Contracts to Construct a Qualified Environmental Technology Facility.....	NIA*
Gross Proceeds of Sales from a Contract to Provide Response to a Release or Suspected	
Release of a Hazardous Substance.....	NIA*
Gross Proceeds of Sales from a Contract to Install, Assemble, Repair or Maintain Machinery That	

## Transaction Privilege Tax

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Does Not Become Permanently Attached.....	NIA*
Income Received from a Contract for Constructing a Lake Facility Development in a Commercial Enhancement Reuse District .....	NIA*
Income from Contracts for Construction of Facilities for Raising Egg Producing Poultry, or the Production and Packaging of Eggs.....	NIA*
Income from Contracts for Construction Work to Prevent, Monitor, Control or Reduce Pollution in the Agriculture Industry .....	NIA*
Income from Contracts for Construction of a Launch Site.....	NIA*
Income from Contracts for Construction of a Domestic Violence Shelter .....	NIA*
Gross Proceeds from Contracts to Perform Post-Construction Treatment of Real Property for Termite and General Pest Control.....	NIA*
Gross Proceeds from Contracts to Construct Certain State University Research Infrastructure Projects.....	NIA*
Gross Proceeds from Construction Contract for Healthy Forest Business .....	NIA*
Gross Proceeds from a Contract to Construct any Building or Structure Associated with Motion Picture Production .....	NIA*
Gross Proceeds from Development or Impact Fees.....	NIA*
Tangible Personal Property Not Exceeding \$200 Purchased By an Individual at Retail Outside the Continental United States – USE TAX ONLY .....	NIA*
Purchases Made by a Residential Care Institution that is Operated in Conjunction with Licensed Nursing Care Institutions – USE TAX ONLY .....	NIA*
Tangible Personal Property Purchased by a Nonprofit Charitable Organization from the Parent or Affiliate Organization Located Out of State- USE TAX ONLY.....	NIA*
Motor Vehicles Removed From Inventory and Provided to Charitable or Educational Institutions or State Universities or their Affiliated Organization- USE TAX ONLY.....	NIA*
Tangible Personal Property which Directly Enters into or becomes an Ingredient or Part of Cards Used as Prescription Plan Identification Cards- USE TAX ONLY.....	NIA*
<b>Total Exemptions.....</b>	<b>\$10,853,310,000</b>

**TOTAL QUANTIFIABLE TRANSACTION PRIVILEGE AND USE TAX EXPENDITURES <sup>2/</sup>.....** **\$11,282,560,000**

Value of Exemptions from the Proposition 301-Education Tax..... \$1,302,400,000

NIA\* - No Information Available

<sup>1/</sup> A portion of these services may be taxable.

<sup>2/</sup> These expenditures represent foregone revenues to the state General Fund, counties and incorporated cities and towns.