

REFERENCE TITLE: sales tax exemption; nonprofit housing

State of Arizona
House of Representatives
Forty-eighth Legislature
First Regular Session
2007

HB 2538

Introduced by

Representatives Ableser, Kirkpatrick, Lujan, Meza, Saradnik, Schapira,
Sinema, Senators Burton Cahill, O'Halleran: Representatives Adams,
Anderson, Bradley, Clark, Crump, DeSimone, Farley, Gallardo, Groe,
Konopnicki, Lopes, Murphy, Pancrazi, Prezelski, Reagan, Thrasher, Tobin,
Tom, Yarbrough, Senators Allen, Gorman, Harper, Rios, Soltero

AN ACT

AMENDING SECTIONS 41-3953 AND 42-5075, ARIZONA REVISED STATUTES; RELATING TO
THE PRIME CONTRACTING TRANSACTION PRIVILEGE TAX CLASSIFICATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 41-3953, Arizona Revised Statutes, is amended to
3 read:

4 41-3953. Department powers and duties

5 A. The department is responsible for establishing policies, procedures
6 and programs that the department is authorized to conduct to address the
7 affordable housing issues confronting this state, including housing issues of
8 low income families, moderate income families, housing affordability, special
9 needs populations and decaying housing stock. Among other things, the
10 department shall provide to qualified housing participants and political
11 subdivisions of this state financial, advisory, consultative, planning,
12 training and educational assistance for the development of safe, decent and
13 affordable housing, including housing for low and moderate income households.

14 B. Under the direction of the director, the department shall:

15 1. Establish guidelines applicable to the programs and activities of
16 the department for the construction and financing of affordable housing and
17 housing for low and moderate income households in this state. These
18 guidelines shall meet or exceed all applicable state or local building and
19 health and safety code requirements and, if applicable, the national
20 manufactured home construction and safety standards act of 1974 and title VI
21 of the housing and community development act of 1974 (P.L. 93-383, as amended
22 by P.L. 95-128, 96-153 and 96-339). Guidelines established pursuant to this
23 paragraph do not apply to the department's activities prescribed in section
24 35-726, subsection E.

25 2. Provide staff support to the Arizona housing commission and
26 coordinate its activities.

27 3. Accept and allocate any monies as from time to time may be
28 appropriated by the legislature for the purposes set forth in this article.

29 4. Perform other duties necessary to administer this chapter.

30 5. Perform the duties prescribed in sections 35-726, 35-728 and 35-913
31 and chapter 4.3 of this title.

32 6. Stimulate and encourage all local, state, regional and federal
33 governmental agencies and all private persons and enterprises that have
34 similar and related objectives and purposes, cooperate with the agencies,
35 persons and enterprises and correlate department plans, programs and
36 operations with those of the agencies, persons and enterprises.

37 7. Conduct research on its own initiative or at the request of the
38 governor, the legislature or state or local agencies pertaining to any
39 department objectives.

40 8. Provide information and advice on request of any local, state or
41 federal agencies, private persons and business enterprises on matters within
42 the scope of department activities.

43 9. Consult with and make recommendations to the governor and the
44 legislature on all matters concerning department objectives.

- 1 10. Make annual reports to the governor and the legislature on its
2 activities, including the geographic location of its activities, its finances
3 and the scope of its operations.
- 4 C. Under the direction of the director, the department may:
 - 5 1. Assist in securing construction and mortgage financing from public
6 and private sector sources.
 - 7 2. Assist mortgage financing programs established by industrial
8 development authorities and political subdivisions of this state.
 - 9 3. Assist in the acquisition and use of federal housing assistance
10 programs pertinent to enhance the economic feasibility of a proposed
11 residential development.
 - 12 4. Assist in the compliance of a proposed residential development with
13 applicable federal, state and local codes and ordinances.
 - 14 5. Prepare and publish planning and development guidelines for the
15 establishment and delivery of housing assistance programs.
 - 16 6. Contract with a federal agency to carry out financial work on the
17 federal agency's behalf and accept payment for the work.
 - 18 7. Subcontract for the financial work prescribed in paragraph 6 of
19 this subsection and make payments for that subcontracted work based on the
20 expectation that the federal agency will pay for that work.
 - 21 8. Accept payment from a federal agency for work prescribed in
22 paragraph 6 of this subsection and deposit those payments in the Arizona
23 department of housing program fund established by section 41-3957.
 - 24 9. Contract for the services of outside advisers, consultants and
25 aides reasonably necessary or desirable to enable the department to
26 adequately perform its duties.
 - 27 10. Contract and incur obligations reasonably necessary or desirable
28 within the general scope of department activities and operations to enable
29 the department to adequately perform its duties.
 - 30 11. Use any media of communication, publication and exhibition in the
31 dissemination of information, advertising and publicity in any field of its
32 purposes, objectives or duties.
 - 33 12. Adopt rules deemed necessary or desirable to govern its procedures
34 and business.
 - 35 13. Contract with other agencies in furtherance of any department
36 program.
 - 37 14. Use monies, facilities or services to provide contributions under
38 federal or other programs that further the objectives and programs of the
39 department.
 - 40 15. Accept gifts, grants, matching monies or direct payments from
41 public or private agencies or private persons and enterprises for the conduct
42 of programs that are consistent with the general purposes and objectives of
43 this article and deposit these monies in the Arizona department of housing
44 program fund established by section 41-3957.

1 16. Establish and collect fees and receive reimbursement of costs in
2 connection with any programs or duties performed by the department and
3 deposit the fees and cost reimbursements in the Arizona department of housing
4 program fund established by section 41-3957.

5 17. Provide staff support to the Arizona housing finance authority and
6 coordinate its activities.

7 D. For the purposes of this section, the department is exempt from
8 chapter 23 of this title.

9 E. The department is the designated state public housing agency as
10 defined in the United States housing act of 1937 (42 United States Code
11 sections 1401 through 1440) for the purpose of accepting federal housing
12 assistance monies and may participate in the housing assistance payments
13 program. Federal monies may be secured for all areas of this state subject
14 only to the limitations prescribed in subsection F of this section.

15 F. For areas of this state where an existing public housing authority
16 has not been established pursuant to section 36-1404, subsection A, the
17 department acting as a public housing agency may undertake all activities
18 under the section 8 tenant-based rental housing assistance payment program,
19 except that the department shall not undertake a section 8 tenant-based
20 rental housing assistance payment program within the boundaries of a city,
21 town or county unless authorized by resolution of the governing body of the
22 city, town or county. If the department accepts monies for a section 8
23 tenant-based rental housing assistance payment program for areas of this
24 state where an existing public housing authority has been established
25 pursuant to section 36-1404, subsection A, the department shall only accept
26 and secure federal monies to provide housing for the seriously mentally ill
27 or other disabled populations. The department may accept and secure federal
28 monies for undertaking all contract administrator activities authorized under
29 a section 8 project-based rental housing assistance payment program in all
30 areas of this state and this participation does not require the authorization
31 of any local governing body.

32 G. The department shall not itself directly own, construct, operate or
33 rehabilitate any housing units, except as may be necessary to protect the
34 department's collateral or security interest arising out of any department
35 programs.

36 H. Notwithstanding any other provision of this section, the department
37 may obligate monies as loans or grants applicable to programs and activities
38 of the department for the purpose of providing housing opportunities for low
39 or moderate income households or for housing affordability or to prevent or
40 combat decaying housing stock. Unless otherwise required by federal or state
41 law, any loan repayments shall be deposited in the Arizona department of
42 housing program fund established by section 41-3957.

43 I. For any construction project financed by the department pursuant to
44 subsection C, except for contract administration activities in connection
45 with the project-based section 8 program, the department shall notify a city,

1 town, county or tribal government that a project is planned for its
2 jurisdiction and, before proceeding, shall seek comment from the governing
3 body of the city, town, county or tribal government or an official authorized
4 by the governing body of the city, town, county or tribal government. The
5 department shall not interfere with or attempt to override the local
6 jurisdiction's planning, zoning or land use regulations.

7 J. THE DEPARTMENT SHALL ISSUE WRITTEN TAX INCENTIVE CERTIFICATES TO
8 NONPROFIT CHARITABLE ORGANIZATIONS THAT QUALIFY UNDER SECTION 501(c)(3) OF
9 THE INTERNAL REVENUE CODE AND THAT HAVE A PRIMARY PURPOSE OF CONTRACTING FOR
10 THE ORIGINAL CONSTRUCTION OF SINGLE FAMILY RESIDENTIAL HOUSING AND SELLING
11 THE COMPLETED RESIDENTIAL HOUSING TO FAMILIES IN THIS STATE WHOSE HOUSEHOLD
12 INCOME IS LESS THAN EIGHTY PER CENT OF THE MEDIAN FAMILY INCOME OF THIS
13 STATE. THE PURPOSE OF APPLYING FOR THE CERTIFICATE IS TO CONVEY A COPY OF
14 THE CERTIFICATE TO A PRIME CONTRACTOR FOR THE PURPOSES OF TAX INCENTIVES
15 UNDER SECTION 42-5075, SUBSECTION B, PARAGRAPH 22. TO RECEIVE A CERTIFICATE,
16 A CHARITABLE ORGANIZATION MUST APPLY TO THE DEPARTMENT ON A FORM PRESCRIBED
17 BY THE DEPARTMENT AND SIGNED BY AN OFFICER OF THE ORGANIZATION UNDER PENALTY
18 OF PERJURY. A CHARITABLE ORGANIZATION MUST SUBMIT SEPARATE APPLICATIONS FOR
19 EACH CONTRACT FOR WHICH A PRIME CONTRACTOR WILL CLAIM A DEDUCTION UNDER
20 SECTION 42-5075, SUBSECTION B, PARAGRAPH 22. THE DEPARTMENT SHALL REVIEW AND
21 EVALUATE EACH APPLICATION. THE APPLICATION MUST INCLUDE:

22 1. VERIFICATION THAT THE ORGANIZATION IS EXEMPT FROM FEDERAL INCOME
23 TAX UNDER SECTION 501(c)(3) OF THE INTERNAL REVENUE CODE.

24 2. A STATEMENT THAT THE ORGANIZATION IS CONSTRUCTING AN ORIGINAL
25 SINGLE FAMILY RESIDENTIAL UNIT AND WILL SELL THE COMPLETED RESIDENTIAL HOME
26 TO AN INDIVIDUAL IN THIS STATE WHOSE HOUSEHOLD INCOME IS LESS THAN EIGHTY PER
27 CENT OF THE MEDIAN FAMILY INCOME OF THIS STATE.

28 3. ANY OTHER INFORMATION THAT IS REQUIRED BY THE DEPARTMENT.

29 Sec. 2. Section 42-5075, Arizona Revised Statutes, is amended to read:

30 42-5075. Prime contracting classification; exemptions;
31 definitions

32 A. The prime contracting classification is comprised of the business
33 of prime contracting and dealership of manufactured buildings. Sales for
34 resale to another dealership of manufactured buildings are not subject to
35 tax. Sales for resale do not include sales to a lessor of manufactured
36 buildings. The sale of a used manufactured building is not taxable under
37 this chapter. The proceeds from alteration and repairs to a used
38 manufactured building are taxable under this section.

39 B. The tax base for the prime contracting classification is sixty-five
40 per cent of the gross proceeds of sales or gross income derived from the
41 business. The following amounts shall be deducted from the gross proceeds of
42 sales or gross income before computing the tax base:

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

1 2. Sales and installation of groundwater measuring devices required
2 under section 45-604 and groundwater monitoring wells required by law,
3 including monitoring wells installed for acquiring information for a permit
4 required by law.

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

10 4. The gross proceeds of sales or gross income received from a
11 contract entered into for the construction, alteration, repair, addition,
12 subtraction, improvement, movement, wrecking or demolition of any building,
13 highway, road, railroad, excavation, manufactured building or other
14 structure, project, development or improvement located in a military reuse
15 zone for providing aviation or aerospace services or for a manufacturer,
16 assembler or fabricator of aviation or aerospace products within an active
17 military reuse zone after the zone is initially established or renewed under
18 section 41-1531. To be eligible to qualify for this deduction, before
19 beginning work under the contract, the prime contractor must have applied for
20 a letter of qualification from the department of revenue.

21 5. The gross proceeds of sales or gross income derived from a contract
22 to construct a qualified environmental technology manufacturing, producing or
23 processing facility, as described in section 41-1514.02, and from subsequent
24 construction and installation contracts, that begin within ten years after
25 the start of initial construction. To qualify for this deduction, before
26 beginning work under the contract, the prime contractor must obtain a letter
27 of qualification from the department of revenue. This paragraph shall apply
28 for ten full consecutive calendar or fiscal years after the start of initial
29 construction.

30 6. The gross proceeds of sales or gross income from a contract to
31 provide for one or more of the following actions, or a contract for site
32 preparation, constructing, furnishing or installing machinery, equipment or
33 other tangible personal property, including structures necessary to protect
34 exempt incorporated materials or installed machinery or equipment, and
35 tangible personal property incorporated into the project, to perform one or
36 more of the following actions in response to a release or suspected release
37 of a hazardous substance, pollutant or contaminant from a facility to the
38 environment, unless the release was authorized by a permit issued by a
39 governmental authority:

40 (a) Actions to monitor, assess and evaluate such a release or a
41 suspected release.

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

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

4 (d) Pumping and treatment or in situ treatment of contaminated
5 groundwater or surface water to reduce the concentration or toxicity of a
6 contaminant.

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

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

16 7. The gross proceeds of sales or gross income that is derived from a
17 contract entered into for the installation, assembly, repair or maintenance
18 of machinery, equipment or other tangible personal property that is deducted
19 from the tax base of the retail classification pursuant to section 42-5061,
20 subsection B, or that is exempt from use tax pursuant to section 42-5159,
21 subsection B, and that does not become a permanent attachment to a building,
22 highway, road, railroad, excavation or manufactured building or other
23 structure, project, development or improvement. If the ownership of the
24 realty is separate from the ownership of the machinery, equipment or tangible
25 personal property, the determination as to permanent attachment shall be made
26 as if the ownership were the same. The deduction provided in this paragraph
27 does not include gross proceeds of sales or gross income from that portion of
28 any contracting activity which consists of the development of, or
29 modification to, real property in order to facilitate the installation,
30 assembly, repair, maintenance or removal of machinery, equipment or other
31 tangible personal property that is deducted from the tax base of the retail
32 classification pursuant to section 42-5061, subsection B or that is exempt
33 from use tax pursuant to section 42-5159, subsection B. For the purposes of
34 this paragraph, "permanent attachment" means at least one of the following:

35 (a) To be incorporated into real property.

36 (b) To become so affixed to real property that it becomes a part of
37 the real property.

38 (c) To be so attached to real property that removal would cause
39 substantial damage to the real property from which it is removed.

40 8. Through December 31, 2009, the gross proceeds of sales or gross
41 income received from a contract for constructing any lake facility
42 development in a commercial enhancement reuse district that is designated
43 pursuant to section 9-499.08 if the prime contractor maintains the following
44 records in a form satisfactory to the department and to the city or town in
45 which the property is located:

1 (a) The certificate of qualification of the lake facility development
2 issued by the city or town pursuant to section 9-499.08, subsection D.

3 (b) All state and local transaction privilege tax returns for the
4 period of time during which the prime contractor received gross proceeds of
5 sales or gross income from a contract to construct a lake facility
6 development in a designated commercial enhancement reuse district, showing
7 the amount exempted from state and local taxation.

8 (c) Any other information that the department considers to be
9 necessary.

10 9. The gross proceeds of sales or gross income attributable to the
11 purchase of machinery, equipment or other tangible personal property that is
12 exempt from or deductible from transaction privilege and use tax under:

13 (a) Section 42-5061, subsection A, paragraph 25 or 29.

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

15 (c) Section 42-5159, subsection A, paragraph 13, subdivision (a), (b),
16 (c), (d), (e), (f), (i), (j) or (l).

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

18 10. The gross proceeds of sales or gross income received from a
19 contract for the construction of an environmentally controlled facility for
20 the raising of poultry for the production of eggs and the sorting, cooling
21 and packaging of eggs.

22 11. The gross proceeds of sales or gross income that is derived from a
23 contract entered into with a person who is engaged in the commercial
24 production of livestock, livestock products or agricultural, horticultural,
25 viticultural or floricultural crops or products in this state for the
26 construction, alteration, repair, improvement, movement, wrecking or
27 demolition or addition to or subtraction from any building, highway, road,
28 excavation, manufactured building or other structure, project, development or
29 improvement used directly and primarily to prevent, monitor, control or
30 reduce air, water or land pollution.

31 12. The gross proceeds of sales or gross income that is derived from
32 the installation, assembly, repair or maintenance of clean rooms that are
33 deducted from the tax base of the retail classification pursuant to section
34 42-5061, subsection B, paragraph 17.

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

41 14. For taxable periods beginning from and after December 31, 1996 and
42 ending before January 1, 2011, the gross proceeds of sales or gross income
43 derived from a contract to provide and install a solar energy device. The
44 contractor shall register with the department as a solar energy contractor.
45 By registering, the contractor acknowledges that it will make its books and

1 records relating to sales of solar energy devices available to the department
2 for examination.

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

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

10 17. The gross proceeds of sales or gross income derived from contracts
11 to perform postconstruction treatment of real property for termite and
12 general pest control, including wood destroying organisms.

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

19 19. The gross proceeds of sales or gross income received from a
20 contract for the construction of any building, or other structure, project,
21 development or improvement owned by a qualified business under section
22 41-1516 for harvesting or the initial processing of qualifying forest
23 products removed from qualifying projects as defined in section 41-1516 if
24 actual construction begins before January 1, 2010. To qualify for this
25 deduction, the prime contractor must obtain a letter of qualification from
26 the department of commerce before beginning work under the contract.

27 20. The gross proceeds of sales or gross income received from a
28 contract for the construction of any building or other structure associated
29 with motion picture production in this state. To qualify for the deduction,
30 at the time the contract is entered into the motion picture production
31 company must present to the prime contractor its certificate that is issued
32 pursuant to section 42-5009, subsection H and that establishes its
33 qualification for the deduction.

34 21. Any amount of the gross proceeds of sales or gross income from a
35 contract that constitutes development or impact fees paid to the state or a
36 local government to offset governmental costs of providing public
37 infrastructure, public safety and other public services to a development.

38 22. FOR TAXABLE PERIODS BEGINNING FROM AND AFTER DECEMBER 31, 2007, THE
39 GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM A CONTRACT ENTERED INTO
40 FOR THE ORIGINAL CONSTRUCTION OF SINGLE FAMILY RESIDENTIAL HOUSING THAT IS
41 OWNED BY A NONPROFIT CHARITABLE ORGANIZATION THAT HAS QUALIFIED UNDER SECTION
42 501(c)(3) OF THE INTERNAL REVENUE CODE. TO QUALIFY FOR THE DEDUCTION THE
43 PRIME CONTRACTOR MUST RECEIVE FROM THE CHARITABLE ORGANIZATION A COPY OF THE
44 CERTIFICATE THAT WAS ISSUED TO THE ORGANIZATION BY THE ARIZONA DEPARTMENT OF
45 HOUSING PURSUANT TO SECTION 41-3953, SUBSECTION J.

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

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

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

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

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

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

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

40 D. Subcontractors or others who perform services in respect to any
41 improvement, building, highway, road, railroad, excavation, manufactured
42 building or other structure, project, development or improvement are not
43 subject to tax if they can demonstrate that the job was within the control of
44 a prime contractor or contractors or a dealership of manufactured buildings
45 and that the prime contractor or dealership is liable for the tax on the

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

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

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

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

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

37 I. The gross proceeds of sales or gross income derived from
38 landscaping activities are subject to tax under this section. Landscaping
39 includes installing lawns, grading or leveling ground, installing gravel or
40 boulders, planting trees and other plants, felling trees, removing or
41 mulching tree stumps, removing other imbedded plants, building or modifying
42 irrigation berms, repairing sprinkler or watering systems, installing
43 railroad ties and installing underground sprinkler or watering systems.

44 J. The portion of gross proceeds of sales or gross income attributable
45 to the actual direct costs of providing architectural or engineering services

1 that are incorporated in a contract is not subject to tax under this section.
2 For the purposes of this subsection, "direct costs" means the portion of the
3 actual costs that are directly expended in providing architectural or
4 engineering services.

5 K. Operating a landfill or a solid waste disposal facility is not
6 subject to taxation under this section, including filling, compacting and
7 creating vehicle access to and from cell sites within the landfill.
8 Constructing roads to a landfill or solid waste disposal facility and
9 constructing cells within a landfill or solid waste disposal facility may be
10 deemed prime contracting under this section.

11 L. The following ~~applies~~ APPLY to manufactured buildings:

12 1. For sales in this state where the ~~dealer~~ DEALERSHIP of manufactured
13 buildings contracts to deliver the building to a setup site or to perform the
14 setup in this state, the taxable situs is the setup site.

15 2. For sales in this state where the ~~dealer~~ DEALERSHIP of manufactured
16 buildings does not contract to deliver the building to a setup site or does
17 not perform the setup, the taxable situs is the location of the dealership
18 where the building is delivered to the buyer.

19 3. For sales in this state where the ~~dealer~~ DEALERSHIP of manufactured
20 buildings contracts to deliver the building to a setup site that is outside
21 this state, the situs is outside this state and the transaction is excluded
22 from tax.

23 M. For the purposes of this section:

24 1. "Contracting" means engaging in business as a contractor.

25 2. "Contractor" is synonymous with the term "builder" and means any
26 person, firm, partnership, corporation, association or other organization, or
27 a combination of any of them, that undertakes to or offers to undertake to,
28 or purports to have the capacity to undertake to, or submits a bid to, or
29 does personally or by or through others, construct, alter, repair, add to,
30 subtract from, improve, move, wreck or demolish any building, highway, road,
31 railroad, excavation, manufactured building or other structure, project,
32 development or improvement, or to do any part of such a project, including
33 the erection of scaffolding or other structure or works in connection with
34 such a project, and includes subcontractors and specialty contractors. For
35 all purposes of taxation or deduction, this definition shall govern without
36 regard to whether or not such contractor is acting in fulfillment of a
37 contract.

38 3. "Dealership of manufactured buildings" means a dealer who either:

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

41 (b) Supervises, performs or coordinates the excavation and completion
42 of site improvements, setup or moving of a manufactured building including
43 the contracting, if any, with any subcontractor or specialty contractor for
44 the completion of the contract.

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

3 5. "Prime contracting" means engaging in business as a prime
4 contractor.

5 6. "Prime contractor" means a contractor who supervises, performs or
6 coordinates the construction, alteration, repair, addition, subtraction,
7 improvement, movement, wreckage or demolition of any building, highway, road,
8 railroad, excavation, manufactured building or other structure, project,
9 development or improvement including the contracting, if any, with any
10 subcontractors or specialty contractors and who is responsible for the
11 completion of the contract.

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