

State of Arizona
Senate
Forty-eighth Legislature
First Regular Session
2007

SENATE BILL 1037

AN ACT

AMENDING SECTIONS 4-205.08, 15-972, 15-994, 28-2054, 28-2062, 42-5061, 42-5064, 42-5151, 42-5159, 42-12152, 42-15006, 42-15204, 42-17053, 42-19001, 42-19002, 42-19153 AND 42-19157, ARIZONA REVISED STATUTES; REPEALING LAWS 2000, SEVENTH SPECIAL SESSION, CHAPTER 1, SECTION 37; RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 4-205.08, Arizona Revised Statutes, is amended to
3 read:

4 4-205.08. Domestic microbrewery license; issuance; regulatory
5 provisions; retail site

6 A. The director may issue a domestic microbrewery license to any
7 domestic microbrewery. Each location that engages in producing and bottling
8 these products must obtain a separate domestic microbrewery license. The
9 licensee may not transfer the domestic microbrewery license from person to
10 person or from location to location.

11 B. An applicant for a domestic microbrewery license, at the time of
12 filing the application for the license, shall accompany the application with
13 the license fee. Persons holding a domestic microbrewery license shall
14 report annually at the end of each calendar year, at such time and in such
15 manner as the director may prescribe, the amount of beer manufactured by them
16 during the calendar year and the amount delivered pursuant to subsection D,
17 paragraph 5, subdivision (b). If the total amount of beer manufactured or
18 delivered during the calendar year exceeds the amount permitted annually by
19 the license, the licensee shall apply for and receive a producer's license.

20 C. Notwithstanding any other statute, a licensed domestic microbrewery
21 may:

22 1. Sell beer produced or manufactured on the premises for consumption
23 on or off the premises.

24 2. Make sales and deliveries of beer to persons licensed to sell beer
25 under this title through wholesalers licensed under this title or as provided
26 in subsection D, paragraph 5, subdivision (a) or subdivision (b).

27 3. Make sales and deliveries of beer to persons licensed to sell beer
28 in another state if lawful under the laws of that state.

29 4. Serve beer produced or manufactured on the premises for the purpose
30 of sampling the beer.

31 D. A licensed domestic microbrewery is subject to all of the following
32 requirements:

33 1. The microbrewery shall produce not less than five thousand gallons
34 of beer in each calendar year following the first year of operation.

35 2. The microbrewery shall not produce more than six hundred twenty
36 thousand gallons of beer in a calendar year.

37 3. If retail operations are conducted in conjunction with the
38 microbrewery, these retail operations shall be conducted from the same site
39 as the location of the microbrewery.

40 4. The microbrewery may sell other spirituous liquor products if:

41 (a) The microbrewery holds an on-sale retail license.

42 (b) The retail sale of the spirituous liquor is on or adjacent to the
43 premises of the microbrewery.

44 5. The microbrewery may make sales and deliveries of beer that it has
45 produced to both:

1 (a) Retail licensees that are under common ownership with the
2 microbrewery in any amount.

3 (b) Other licensed retailers in an amount not to exceed ninety-three
4 thousand gallons in any calendar year.

5 E. A person who holds a domestic microbrewery license that meets the
6 requirements of this section and who is not otherwise engaged in the business
7 of a distiller, vintner, brewer, rectifier, blender or other producer of
8 spirituous liquor in any jurisdiction may hold other on-sale retail
9 licenses. Except as provided in subsection D, paragraph 5, subdivision (a),
10 the person shall purchase all spirituous liquor for sale at the other on-sale
11 retail premises from wholesalers who are licensed in this state.

12 F. A DOMESTIC MICROBREWERY THAT SELLS OR DELIVERS BEER PURSUANT TO
13 THIS SECTION SHALL:

14 1. PAY TO THE DEPARTMENT OF REVENUE ALL LUXURY TAXES IMPOSED PURSUANT
15 TO TITLE 42, CHAPTER 3 AND ALL TRANSACTION PRIVILEGE OR USE TAXES IMPOSED
16 PURSUANT TO TITLE 42, CHAPTER 5.

17 2. FILE ALL RETURNS OR REPORTS REQUIRED BY LAW.

18 G. A DELIVERY OF BEER BY A DOMESTIC MICROBREWERY TO A PURCHASER IN
19 THIS STATE IS A TRANSACTION DEEMED TO HAVE OCCURRED IN THIS STATE.

20 ~~F.~~ H. The director shall adopt rules in order to administer this
21 section.

22 Sec. 2. Section 15-972, Arizona Revised Statutes, is amended to read:

23 15-972. State limitation on homeowner property taxes;
24 additional state aid to school districts; definition

25 A. Notwithstanding section 15-971, there shall be additional state aid
26 for education computed for school districts as provided in subsection B of
27 this section.

28 B. The clerk of the board of supervisors shall compute such additional
29 state aid for education as follows:

30 1. For a high school district or for a common school district within a
31 high school district which does not offer instruction in high school subjects
32 as provided in section 15-447:

33 (a) Determine the tax rate for primary property taxes for the school
34 district which would be levied in lieu of the provisions of this section.

35 (b) Determine the following percentage of the tax rate determined in
36 subdivision (a) of this paragraph:

37 (i) Thirty-five per cent through December 31, 2005.

38 (ii) Thirty-six per cent beginning from and after December 31, 2005
39 through December 31, 2006.

40 (iii) Thirty-seven per cent beginning from and after December 31, 2006
41 through December 31, 2007.

42 (iv) Thirty-eight per cent beginning from and after December 31, 2007
43 through December 31, 2008.

44 (v) Thirty-nine per cent beginning from and after December 31, 2008
45 through December 31, 2009.

1 (vi) Forty per cent beginning from and after December 31, 2009.
2 (c) Select the lesser of the amount determined in subdivision (b) of
3 this paragraph or the current qualifying tax rate for the district.
4 (d) Multiply the rate selected in subdivision (c) of this paragraph as
5 a rate per one hundred dollars assessed valuation by the assessed valuation
6 used for primary property taxes of the residential property in the school
7 district.

8 2. For a unified school district, for a common school district not
9 within a high school district or for a common school district which offers
10 instruction in high school subjects as provided in section 15-447:
11 (a) Determine the tax rate for primary property taxes for the school
12 district which would be levied in lieu of the provisions of this section.
13 (b) Determine the following percentage of the tax rate determined in
14 subdivision (a) of this paragraph:
15 (i) Thirty-five per cent through December 31, 2005.
16 (ii) Thirty-six per cent beginning from and after December 31, 2005
17 through December 31, 2006.
18 (iii) Thirty-seven per cent beginning from and after December 31, 2006
19 through December 31, 2007.
20 (iv) Thirty-eight per cent beginning from and after December 31, 2007
21 through December 31, 2008.
22 (v) Thirty-nine per cent beginning from and after December 31, 2008
23 through December 31, 2009.
24 (vi) Forty per cent beginning from and after December 31, 2009.
25 (c) Select the lesser of the amount determined in subdivision (b) of
26 this paragraph or the current qualifying tax rate for the district.
27 (d) Multiply the rate selected in subdivision (c) of this paragraph as
28 a rate per one hundred dollars assessed valuation by the assessed valuation
29 used for primary property taxes of the residential property in the district.

30 C. The clerk of the board of supervisors shall report to the
31 department of revenue not later than the Friday following the third Monday in
32 August of each year the amount by school district of additional state aid for
33 education and the data used for computing the amount as provided in
34 subsection B of this section. The department of revenue shall verify all of
35 the amounts and report to the county board of supervisors not later than
36 August 30 of each year the property tax rate or rates which shall be used for
37 property tax reduction as provided in subsection E of this section.

38 D. The board of supervisors shall reduce the property tax rate or
39 rates that would be levied in lieu of the provisions of this section by the
40 school district or districts on the assessed valuation used for primary
41 property taxes of the residential property in the school district or
42 districts by the rate or rates selected in subsection B, paragraph 1,
43 subdivision (c) and paragraph 2, subdivision (c) of this section. The excess
44 of the reduction in property taxes for a parcel of property resulting from
45 the reduction in the property tax rate pursuant to this subsection over the

1 amounts listed in this subsection shall be deducted from the amount of
2 additional state aid for education. The reduction in property taxes on a
3 parcel of property resulting from the reduction in the property tax rate
4 pursuant to this subsection shall not exceed the following amounts except as
5 provided in subsection I of this section:

6 1. Five hundred dollars through December 31, 2005.

7 2. Five hundred twenty dollars beginning from and after December 31,
8 2005 through December 31, 2006.

9 3. Five hundred forty dollars beginning from and after December 31,
10 2006 through December 31, 2007.

11 4. Five hundred sixty dollars beginning from and after December 31,
12 2007 through December 31, 2008.

13 5. Five hundred eighty dollars beginning from and after December 31,
14 2008 through December 31, 2009.

15 6. Six hundred dollars beginning from and after December 31, 2009.

16 E. Prior to the levying of taxes for school purposes the board of
17 supervisors shall determine whether the total primary property taxes to be
18 levied for all taxing jurisdictions on each parcel of residential property,
19 in lieu of the provisions of this subsection, violate article IX, section 18,
20 Constitution of Arizona. For those properties that qualify for property tax
21 exemptions pursuant to article IX, sections 2, 2.1 and 2.2, Constitution of
22 Arizona, eligibility for the credit is determined on the basis of the limited
23 property value that corresponds to the taxable assessed value after reduction
24 for the applicable exemption. If the board of supervisors determines that
25 such a situation exists, the board shall apply a credit against the primary
26 property taxes due from each such parcel in the amount in excess of article
27 IX, section 18, Constitution of Arizona. Such excess amounts shall also be
28 additional state aid for education for the school district or districts in
29 which such parcel of property is located.

30 F. The clerk of the board of supervisors shall report to the
31 department of revenue not later than September 5 of each year the amount by
32 school district of additional state aid for education and the data used for
33 computing the amount as provided in subsection B of this section. The
34 department of revenue shall verify all of the amounts and report to the board
35 of supervisors not later than September 10 of each year the property tax rate
36 which shall be used for property tax reduction as provided in subsection E of
37 this section.

38 G. The clerk of the board of supervisors shall report to the
39 department of revenue not later than September 30 of each year in writing the
40 following:

41 1. The data processing specifications used in the calculations
42 provided for in subsections B and E of this section.

43 2. At a minimum, copies of two actual tax bills for residential
44 property for each distinct tax area.

1 H. The department of revenue shall report to the state board of
2 education not later than October 12 of each year the amount by school
3 district of additional state aid for education as provided in this section.
4 The additional state aid for education provided in this section shall be
5 apportioned as provided in section 15-973, ~~except that payments for~~
6 ~~additional state aid for education for unsecured property shall be paid on~~
7 ~~the fifteenth day of the month based on claims submitted by the department of~~
8 ~~revenue. The department of revenue shall submit claims for unsecured~~
9 ~~property before the first day of each month for which payments are requested.~~

10 I. If a parcel of property is owned by a cooperative apartment
11 corporation or is owned by the tenants of a cooperative apartment corporation
12 as tenants in common, the reduction in the property taxes prescribed in
13 subsection D of this section shall not exceed the amounts listed in
14 subsection D of this section for each owner occupied housing unit on the
15 property. The assessed value used for determining the reduction in taxes for
16 the property is equal to the total assessed value of the property times the
17 ratio of the number of owner occupied housing units to the total number of
18 housing units on the property. For the purposes of this subsection,
19 "cooperative apartment corporation" means a corporation:

20 1. Having only one class of outstanding stock.

21 2. All of the stockholders of which are entitled, solely by reason of
22 their ownership of stock in the corporation, to occupy for dwelling purposes
23 apartments in a building owned or leased by such corporation and who are not
24 entitled, either conditionally or unconditionally, except upon a complete or
25 partial liquidation of the corporation, to receive any distribution not out
26 of earnings and profits of the corporation.

27 3. Eighty per cent or more of the gross income of which is derived
28 from tenant-stockholders. For the purposes of this paragraph, "gross income"
29 means gross income as defined by the United States internal revenue code, as
30 defined in section 43-105.

31 J. The total amount of state monies that may be spent in any fiscal
32 year for state aid for education in this section shall not exceed the amount
33 appropriated or authorized by section 35-173 for that purpose. This section
34 shall not be construed to impose a duty on an officer, agent or employee of
35 this state to discharge a responsibility or to create any right in a person
36 or group if the discharge or right would require an expenditure of state
37 monies in excess of the expenditure authorized by legislative appropriation
38 for that specific purpose.

39 K. For the purposes of this section, "residential property" means
40 residential property as defined in article IX, section 18, subsection (1),
41 Constitution of Arizona, except that it does not mean leased or rented
42 property that is listed as class four pursuant to section 42-12004.

1 Sec. 3. Section 15-994, Arizona Revised Statutes, is amended to read:
2 15-994. State equalization assistance property tax levy

3 A. The board of supervisors of each county shall annually, at the time
4 of levying other taxes, levy a state equalization assistance property tax on
5 the property within the county. The tax levy for state equalization
6 assistance shall be at a rate determined pursuant to section 41-1276. The
7 tax levy provided for in this section shall not be subject to title 42,
8 chapter 17, articles 2 and 3. Except as provided in section 15-365, the
9 county treasurer shall apportion all monies collected from the state
10 equalization assistance property tax levy to the school districts within the
11 county in accordance with section 15-971, subsection C at the same time as
12 other tax levy monies are apportioned as provided in section 42-18001.

13 B. At the same time the county assessor is required to transmit values
14 to the county school superintendent as provided in section 42-17052, the
15 assessor of each county shall provide in electronic format to the
16 superintendent of public instruction the assessed valuation used for
17 determining the primary property tax rate and the secondary property tax rate
18 for each school district in the county. On or before January 15 the county
19 assessor of each county shall provide in electronic format to the
20 superintendent of public instruction the actual assessed valuation used for
21 determining the primary property tax rate and the secondary property tax rate
22 for each school district in the county ~~including any revisions made due to~~
23 ~~changes in the valuation of unsecured personal property after the tax rates~~
24 ~~were determined.~~

25 Sec. 4. Section 28-2054, Arizona Revised Statutes, is amended to read:
26 28-2054. Certificate of title: application processing

27 A. The department shall file each application for a certificate of
28 title. When the department is satisfied that the application is genuine and
29 regular and that the applicant is entitled to a certificate, it shall
30 register the vehicle and the owner alphabetically under the name of the owner
31 and numerically under the serial number and under a distinctive title number
32 assigned to the vehicle and the owner.

33 B. In addition to all other requirements, if the application is for a
34 certificate of title to a mobile home the department shall not issue or
35 transfer a certificate of title on the mobile home if there are any
36 delinquent ~~unsecured~~ personal property taxes on the mobile home.

37 Sec. 5. Section 28-2062, Arizona Revised Statutes, is amended to read:
38 28-2062. Mobile home delinquent personal property tax list

39 A. The department shall prepare and maintain a list that identifies
40 each prior year for which outstanding delinquent ~~unsecured~~ personal property
41 taxes on mobile homes remain unpaid. The list shall contain:

- 42 1. The complete manufacturer's serial number, the brand name or model
43 and the name of the manufacturer of each mobile home.
44 2. The name and address of the current owners.

1 3. The year of levy, assessing county and tax roll identification
2 number of the outstanding delinquent taxes for each mobile home.

3 4. Other information that the department may find necessary.

4 B. The department of revenue, each county assessor and each county
5 treasurer shall provide such cooperation and information as the department OF
6 TRANSPORTATION requires in the preparation and maintenance of the listing
7 required by subsection A ~~of this section~~.

8 C. The department shall provide each county assessor who acts as a
9 registering officer for the department with copies of or access to the
10 listing prepared pursuant to subsection A ~~of this section~~.

11 Sec. 6. Section 42-5061, Arizona Revised Statutes, is amended to read:
12 42-5061. Retail classification; definitions

13 A. The retail classification is comprised of the business of selling
14 tangible personal property at retail. The tax base for the retail
15 classification is the gross proceeds of sales or gross income derived from
16 the business. The tax imposed on the retail classification does not apply to
17 the gross proceeds of sales or gross income from:

18 1. Professional or personal service occupations or businesses which
19 involve sales or transfers of tangible personal property only as
20 inconsequential elements.

21 2. Services rendered in addition to selling tangible personal property
22 at retail.

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

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

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

33 6. Business activity which is properly included in any other business
34 classification which is taxable under article 1 of this chapter.

35 7. The sale of stocks and bonds.

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

39 9. Prosthetic appliances as defined in section 23-501 prescribed or
40 recommended by a health professional licensed pursuant to title 32, chapter
41 7, 8, 11, 13, 14, 15, 16, 17 or 29.

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

43 11. Prescription eyeglasses or contact lenses.

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

1 13. Durable medical equipment which has a centers for medicare and
2 medicaid services common procedure code, is designated reimbursable by
3 medicare, is prescribed by a person who is licensed under title 32, chapter
4 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is primarily and
5 customarily used to serve a medical purpose, is generally not useful to a
6 person in the absence of illness or injury and is appropriate for use in the
7 home.

8 14. Sales to nonresidents of this state for use outside this state if
9 the vendor ships or delivers the tangible personal property out of this
10 state.

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

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

18 17. Textbooks by any bookstore that are required by any state
19 university or community college.

20 18. Food and drink to a person who is engaged in business which is
21 classified under the restaurant classification and which provides such food
22 and drink without monetary charge to its employees for their own consumption
23 on the premises during the employees' hours of employment.

24 19. Articles of food, drink or condiment and accessory tangible
25 personal property to a school district if such articles and accessory
26 tangible personal property are to be prepared and served to persons for
27 consumption on the premises of a public school within the district during
28 school hours.

29 20. Lottery tickets or shares pursuant to title 5, chapter 5,
30 article 1.

31 21. The sale of precious metal bullion and monetized bullion to the
32 ultimate consumer, but the sale of coins or other forms of money for
33 manufacture into jewelry or works of art is subject to the tax. For the
34 purposes of this paragraph:

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

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

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

1 sales of jet fuel which are subject to the tax imposed under article 8 of
2 this chapter.

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

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

9 25. Tangible personal property sold to:

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

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

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

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

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

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

32 26. Magazines or other periodicals or other publications by this state
33 to encourage tourist travel.

34 27. Tangible personal property sold to a person that is subject to tax
35 under this article by reason of being engaged in business classified under
36 the prime contracting classification under section 42-5075, or to a
37 subcontractor working under the control of a prime contractor that is subject
38 to tax under article 1 of this chapter, if the property so sold is any of the
39 following:

40 (a) Incorporated or fabricated by the person into any real property,
41 structure, project, development or improvement as part of the business.

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

44 (c) Incorporated or fabricated by the person into any lake facility
45 development in a commercial enhancement reuse district under conditions

1 prescribed for the deduction allowed by section 42-5075, subsection B,
2 paragraph 8.

3 28. The sale of a motor vehicle to:

4 (a) A nonresident of this state if the purchaser's state of residence
5 does not allow a corresponding use tax exemption to the tax imposed by
6 article 1 of this chapter and if the nonresident has secured a special ninety
7 day nonresident registration permit for the vehicle as prescribed by sections
8 28-2154 and 28-2154.01.

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

11 29. Tangible personal property purchased in this state by a nonprofit
12 charitable organization that has qualified under section 501(c)(3) of the
13 United States internal revenue code and that engages in and uses such
14 property exclusively in programs for mentally or physically handicapped
15 persons if the programs are exclusively for training, job placement,
16 rehabilitation or testing.

17 30. Sales of tangible personal property by a nonprofit organization
18 that is exempt from taxation under section 501(c)(3), 501(c)(4) or 501(c)(6)
19 of the internal revenue code if the organization is associated with a major
20 league baseball team or a national touring professional golfing association
21 and no part of the organization's net earnings inures to the benefit of any
22 private shareholder or individual.

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

28 32. Sales of tangible personal property by a nonprofit organization
29 that is exempt from taxation under section 501(c)(3), 501(c)(4), 501(c)(6),
30 501(c)(7) or 501(c)(8) of the internal revenue code if the organization
31 sponsors or operates a rodeo featuring primarily farm and ranch animals and
32 no part of the organization's net earnings inures to the benefit of any
33 private shareholder or individual.

34 33. Sales of seeds, seedlings, roots, bulbs, cuttings and other
35 propagative material to persons who use those items to commercially produce
36 agricultural, horticultural, viticultural or floricultural crops in this
37 state.

38 34. Machinery, equipment, technology or related supplies that are only
39 useful to assist a person who is physically disabled as defined in section
40 46-191, has a developmental disability as defined in section 36-551 or has a
41 head injury as defined in section 41-3201 to be more independent and
42 functional.

43 35. Sales of tangible personal property that is shipped or delivered
44 directly to a destination outside the United States for use in that foreign
45 country.

1 36. Sales of natural gas or liquefied petroleum gas used to propel a
2 motor vehicle.

3 37. Paper machine clothing, such as forming fabrics and dryer felts,
4 sold to a paper manufacturer and directly used or consumed in paper
5 manufacturing.

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

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

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

36 (a) "Personal property liquidation transaction" means a sale of
37 personal property made by a personal property liquidator acting solely on
38 behalf of the owner of the personal property sold at the dwelling of the
39 owner or upon the death of any owner, on behalf of the surviving spouse, if
40 any, any devisee or heir or the personal representative of the estate of the
41 deceased, if one has been appointed.

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

44 41. Sales of food, drink and condiment for consumption within the
45 premises of any prison, jail or other institution under the jurisdiction of

1 the state department of corrections, the department of public safety, the
2 department of juvenile corrections or a county sheriff.

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

7 43. Livestock and poultry feed, salts, vitamins and other additives for
8 livestock or poultry consumption that are sold to persons who are engaged in
9 producing livestock, poultry, or livestock or poultry products or who are
10 engaged in feeding livestock or poultry commercially. For the purposes of
11 this paragraph, "poultry" includes ratites.

12 44. Sales of implants used as growth promotants and injectable
13 medicines, not already exempt under paragraph 8 of this subsection, for
14 livestock or poultry owned by or in possession of persons who are engaged in
15 producing livestock, poultry, or livestock or poultry products or who are
16 engaged in feeding livestock or poultry commercially. For the purposes of
17 this paragraph, "poultry" includes ratites.

18 45. Sales of motor vehicles at auction to nonresidents of this state
19 for use outside this state if the vehicles are shipped or delivered out of
20 this state, regardless of where title to the motor vehicles passes or its
21 free on board point.

22 46. Tangible personal property sold to a person engaged in business and
23 subject to tax under the transient lodging classification if the tangible
24 personal property is a personal hygiene item or articles used by human beings
25 for food, drink or condiment, except alcoholic beverages, which are furnished
26 without additional charge to and intended to be consumed by the transient
27 during the transient's occupancy.

28 47. Sales of alternative fuel, as defined in section 1-215, to a used
29 oil fuel burner who has received a permit to burn used oil or used oil fuel
30 under section 49-426 or 49-480.

31 48. Sales of materials that are purchased by or for publicly funded
32 libraries including school district libraries, charter school libraries,
33 community college libraries, state university libraries or federal, state,
34 county or municipal libraries for use by the public as follows:

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

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

37 49. Tangible personal property sold to a commercial airline and
38 consisting of food, beverages and condiments and accessories used for serving
39 the food and beverages, if those items are to be provided without additional
40 charge to passengers for consumption in flight. For the purposes of this
41 paragraph, "commercial airline" means a person holding a federal certificate
42 of public convenience and necessity or foreign air carrier permit for air
43 transportation to transport persons, property or United States mail in
44 intrastate, interstate or foreign commerce.

1 50. Sales of alternative fuel vehicles if the vehicle was manufactured
2 as a diesel fuel vehicle and converted to operate on alternative fuel and
3 equipment that is installed in a conventional diesel fuel motor vehicle to
4 convert the vehicle to operate on an alternative fuel, as defined in section
5 1-215.

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

9 52. Sales of tangible personal property to be incorporated or installed
10 as part of environmental response or remediation activities under section
11 42-5075, subsection B, paragraph 6.

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

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

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

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

34 3. Tangible personal property sold to persons engaged in business
35 classified under the telecommunications classification and consisting of
36 central office switching equipment, switchboards, private branch exchange
37 equipment, microwave radio equipment and carrier equipment including optical
38 fiber, coaxial cable and other transmission media which are components of
39 carrier systems.

40 4. Machinery, equipment or transmission lines used directly in
41 producing or transmitting electrical power, but not including distribution.
42 Transformers and control equipment used at transmission substation sites
43 constitute equipment used in producing or transmitting electrical power.

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

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

8 7. Aircraft, navigational and communication instruments and other
9 accessories and related equipment sold to:

10 (a) A person holding a federal certificate of public convenience and
11 necessity, a supplemental air carrier certificate under federal aviation
12 regulations (14 Code of Federal Regulations part 121) or a foreign air
13 carrier permit for air transportation for use as or in conjunction with or
14 becoming a part of aircraft to be used to transport persons, property or
15 United States mail in intrastate, interstate or foreign commerce.

16 (b) THE UNITED STATES GOVERNMENT OR ITS DEPARTMENTS OR AGENCIES FOR
17 USE OUTSIDE OF THIS STATE, EXCEPT IN THE CASE OF THE UNITED STATES ARMED
18 FORCES WHICH MAY USE SUCH PROPERTY IN THIS STATE.

19 ~~(b)~~ (c) Any foreign government for use by such government outside of
20 this state.

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

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

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

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

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

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

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

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

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

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

25 15. Machinery and equipment that are purchased by or on behalf of the
26 owners of a soundstage complex and primarily used for motion picture,
27 multimedia or interactive video production in the complex. This paragraph
28 applies only if the initial construction of the soundstage complex begins
29 after June 30, 1996 and before January 1, 2002 and the machinery and
30 equipment are purchased before the expiration of five years after the start
31 of initial construction. For the purposes of this paragraph:

32 (a) "Motion picture, multimedia or interactive video production"
33 includes products for theatrical and television release, educational
34 presentations, electronic retailing, documentaries, music videos, industrial
35 films, CD-ROM, video game production, commercial advertising and television
36 episode production and other genres that are introduced through developing
37 technology.

38 (b) "Soundstage complex" means a facility of multiple stages including
39 production offices, construction shops and related areas, prop and costume
40 shops, storage areas, parking for production vehicles and areas that are
41 leased to businesses that complement the production needs and orientation of
42 the overall facility.

43 16. Tangible personal property that is used by either of the following
44 to receive, store, convert, produce, generate, decode, encode, control or
45 transmit telecommunications information:

1 (a) Any direct broadcast satellite television or data transmission
2 service that operates pursuant to 47 Code of Federal Regulations ~~parts~~ PART
3 25 ~~and 100~~.

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

6 (i) Over two-thirds of the transmissions, measured in megabytes,
7 transmitted by the facility during the test period were transmitted to or on
8 behalf of one or more direct broadcast satellite television or data
9 transmission services that operate pursuant to 47 Code of Federal Regulations
10 ~~parts~~ PART 25 ~~and 100~~.

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

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

20 17. Clean rooms that are used for manufacturing, processing,
21 fabrication or research and development, as defined in paragraph 14 of this
22 subsection, of semiconductor products. For the purposes of this paragraph,
23 "clean room" means all property that comprises or creates an environment
24 where humidity, temperature, particulate matter and contamination are
25 precisely controlled within specified parameters, without regard to whether
26 the property is actually contained within that environment or whether any of
27 the property is affixed to or incorporated into real property. Clean room:

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

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

36 18. Machinery and equipment used directly in the feeding of poultry,
37 the environmental control of housing for poultry, the movement of eggs within
38 a production and packaging facility or the sorting or cooling of eggs. This
39 exemption does not apply to vehicles used for transporting eggs.

40 19. Machinery or equipment, including related structural components,
41 that is employed in connection with manufacturing, processing, fabricating,
42 job printing, refining, mining, natural gas pipelines, metallurgical
43 operations, telecommunications, producing or transmitting electricity or
44 research and development and that is used directly to meet or exceed rules or
45 regulations adopted by the federal energy regulatory commission, the United

1 States environmental protection agency, the United States nuclear regulatory
2 commission, the Arizona department of environmental quality or a political
3 subdivision of this state to prevent, monitor, control or reduce land, water
4 or air pollution.

5 20. Machinery and equipment that are sold to a person engaged in the
6 commercial production of livestock, livestock products or agricultural,
7 horticultural, viticultural or floricultural crops or products in this state
8 and that are used directly and primarily to prevent, monitor, control or
9 reduce air, water or land pollution.

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

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

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

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

24 22. Qualifying equipment that is purchased from and after June 30, 2004
25 through June 30, 2014 by a qualified business under section 41-1516 for
26 harvesting or the initial processing of qualifying forest products removed
27 from qualifying projects as defined in section 41-1516. To qualify for this
28 deduction, the qualified business at the time of purchase must present its
29 certification approved by the department.

30 23. Machinery, equipment and other tangible personal property used
31 directly in motion picture production by a motion picture production company.
32 To qualify for this deduction, at the time of purchase, the motion picture
33 production company must present to the retailer its certificate that is
34 issued pursuant to section 42-5009, subsection H and that establishes its
35 qualification for the deduction.

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

38 1. Expendable materials. For the purposes of this paragraph,
39 expendable materials do not include any of the categories of tangible
40 personal property specified in subsection B of this section regardless of the
41 cost or useful life of that property.

42 2. Janitorial equipment and hand tools.

43 3. Office equipment, furniture and supplies.

1 4. Tangible personal property used in selling or distributing
2 activities, other than the telecommunications transmissions described in
3 subsection B, paragraph 16 of this section.

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

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

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

11 D. In addition to the deductions from the tax base prescribed by
12 subsection A of this section, there shall be deducted from the tax base the
13 gross proceeds of sales or gross income derived from sales of machinery,
14 equipment, materials and other tangible personal property used directly and
15 predominantly to construct a qualified environmental technology
16 manufacturing, producing or processing facility as described in section
17 41-1514.02. This subsection applies for ten full consecutive calendar or
18 fiscal years after the start of initial construction.

19 E. In computing the tax base, gross proceeds of sales or gross income
20 from retail sales of heavy trucks and trailers does not include any amount
21 attributable to federal excise taxes imposed by 26 United States Code section
22 4051.

23 F. In computing the tax base, gross proceeds of sales or gross income
24 from the sale of use fuel, as defined in section 28-5601, does not include
25 any amount attributable to federal excise taxes imposed by 26 United States
26 Code section ~~409~~ 4081.

27 G. If a person is engaged in an occupation or business to which
28 subsection A of this section applies, the person's books shall be kept so as
29 to show separately the gross proceeds of sales of tangible personal property
30 and the gross income from sales of services, and if not so kept the tax shall
31 be imposed on the total of the person's gross proceeds of sales of tangible
32 personal property and gross income from services.

33 H. If a person is engaged in the business of selling tangible personal
34 property at both wholesale and retail, the tax under this section applies
35 only to the gross proceeds of the sales made other than at wholesale if the
36 person's books are kept so as to show separately the gross proceeds of sales
37 of each class, and if the books are not so kept, the tax under this section
38 applies to the gross proceeds of every sale so made.

39 I. A person who engages in manufacturing, baling, crating, boxing,
40 barreling, canning, bottling, sacking, preserving, processing or otherwise
41 preparing for sale or commercial use any livestock, agricultural or
42 horticultural product or any other product, article, substance or commodity
43 and who sells the product of such business at retail in this state is deemed,
44 as to such sales, to be engaged in business classified under the retail

1 classification. This subsection does not apply to businesses classified
2 under the:

- 3 1. Transporting classification.
- 4 2. Utilities classification.
- 5 3. Telecommunications classification.
- 6 4. Pipeline classification.
- 7 5. Private car line classification.
- 8 6. Publication classification.
- 9 7. Job printing classification.
- 10 8. Prime contracting classification.
- 11 9. Owner builder sales classification.
- 12 10. Restaurant classification.

13 J. The gross proceeds of sales or gross income derived from the
14 following shall be deducted from the tax base for the retail classification:

- 15 1. Sales made directly to the United States government or its
16 departments or agencies by a manufacturer, modifier, assembler or repairer.
- 17 2. Sales made directly to a manufacturer, modifier, assembler or
18 repairer if such sales are of any ingredient or component part of products
19 sold directly to the United States government or its departments or agencies
20 by the manufacturer, modifier, assembler or repairer.
- 21 3. Overhead materials or other tangible personal property that is used
22 in performing a contract between the United States government and a
23 manufacturer, modifier, assembler or repairer, including property used in
24 performing a subcontract with a government contractor who is a manufacturer,
25 modifier, assembler or repairer, to which title passes to the government
26 under the terms of the contract or subcontract.
- 27 4. Sales of overhead materials or other tangible personal property to
28 a manufacturer, modifier, assembler or repairer if the gross proceeds of
29 sales or gross income derived from the property by the manufacturer,
30 modifier, assembler or repairer will be exempt under paragraph 3 of this
31 subsection.

32 K. There shall be deducted from the tax base fifty per cent of the
33 gross proceeds or gross income from any sale of tangible personal property
34 made directly to the United States government or its departments or agencies,
35 which is not deducted under subsection J of this section.

36 L. The department shall require every person claiming a deduction
37 provided by subsection J or K of this section to file on forms prescribed by
38 the department at such times as the department directs a sworn statement
39 disclosing the name of the purchaser and the exact amount of sales on which
40 the exclusion or deduction is claimed.

41 M. In computing the tax base, gross proceeds of sales or gross income
42 does not include:

- 43 1. A manufacturer's cash rebate on the sales price of a motor vehicle
44 if the buyer assigns the buyer's right in the rebate to the retailer.
- 45 2. The waste tire disposal fee imposed pursuant to section 44-1302.

1 N. There shall be deducted from the tax base the amount received from
2 sales of solar energy devices. The retailer shall register with the
3 department as a solar energy retailer. By registering, the retailer
4 acknowledges that it will make its books and records relating to sales of
5 solar energy devices available to the department for examination.

6 O. In computing the tax base in the case of the sale or transfer of
7 wireless telecommunications equipment as an inducement to a customer to enter
8 into or continue a contract for telecommunications services that are taxable
9 under section 42-5064, gross proceeds of sales or gross income does not
10 include any sales commissions or other compensation received by the retailer
11 as a result of the customer entering into or continuing a contract for the
12 telecommunications services.

13 P. For the purposes of this section, a sale of wireless
14 telecommunications equipment to a person who holds the equipment for sale or
15 transfer to a customer as an inducement to enter into or continue a contract
16 for telecommunications services that are taxable under section 42-5064 is
17 considered to be a sale for resale in the regular course of business.

18 Q. Retail sales of prepaid calling cards or prepaid authorization
19 numbers for telecommunications services, including sales of reauthorization
20 of a prepaid card or authorization number, are subject to tax under this
21 section.

22 R. For the purposes of this section, the diversion of gas from a
23 pipeline by a person engaged in the business of:

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

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

30 S. If a seller is entitled to a deduction pursuant to subsection B,
31 paragraph 16, subdivision (b) of this section, the department may require the
32 purchaser to establish that the requirements of subsection B, paragraph 16,
33 subdivision (b) of this section have been satisfied. If the purchaser cannot
34 establish that the requirements of subsection B, paragraph 16, subdivision
35 (b) of this section have been satisfied, the purchaser is liable in an amount
36 equal to any tax, penalty and interest which the seller would have been
37 required to pay under article 1 of this chapter if the seller had not made a
38 deduction pursuant to subsection B, paragraph 16, subdivision (b) of this
39 section. Payment of the amount under this subsection exempts the purchaser
40 from liability for any tax imposed under article 4 of this chapter and
41 related to the tangible personal property purchased. The amount shall be
42 treated as transaction privilege tax to the purchaser and as tax revenues
43 collected from the seller to designate the distribution base pursuant to
44 section 42-5029.

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

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

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

9 U. In computing the tax base for the sale of a motor vehicle to a
10 nonresident of this state, if the purchaser's state of residence allows a
11 corresponding use tax exemption to the tax imposed by article 1 of this
12 chapter and the rate of the tax in the purchaser's state of residence is
13 lower than the rate prescribed in article 1 of this chapter or if the
14 purchaser's state of residence does not impose an excise tax, and the
15 nonresident has secured a special ninety day nonresident registration permit
16 for the vehicle as prescribed by sections 28-2154 and 28-2154.01, there shall
17 be deducted from the tax base a portion of the gross proceeds or gross income
18 from the sale so that the amount of transaction privilege tax that is paid in
19 this state is equal to the excise tax that is imposed by the purchaser's
20 state of residence on the nonexempt sale or use of the motor vehicle.

21 V. For the purposes of this section:

22 1. "Aircraft" includes:

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

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

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

32 3. "Selling at retail" means a sale for any purpose other than for
33 resale in the regular course of business in the form of tangible personal
34 property, but transfer of possession, lease and rental as used in the
35 definition of sale mean only such transactions as are found on investigation
36 to be in lieu of sales as defined without the words lease or rental.

37 W. For the purposes of subsection J of this section:

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

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

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

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

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

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

21 Sec. 7. Section 42-5064, Arizona Revised Statutes, is amended to read:

22 42-5064. Telecommunications classification; definitions

23 A. The telecommunications classification is comprised of the business
24 of providing intrastate telecommunications services. The telecommunications
25 classification does not include:

26 1. Sales of intrastate telecommunications services by a cable
27 television system as defined in section 9-505 or by a microwave television
28 transmission system that transmits television programming to multiple
29 subscribers and that is operated pursuant to 47 Code of Federal Regulations
30 parts 21 and 74.

31 2. Sales of internet access services to the person's subscribers and
32 customers.

33 B. The tax base for the telecommunications classification is the gross
34 proceeds of sales or gross income derived from the business, including the
35 gross income derived from tolls, subscriptions and services on behalf of
36 subscribers or from the publication of a directory of the names of
37 subscribers. However, the gross proceeds of sales or gross income derived
38 from the following shall be deducted from the tax base:

39 1. Sales of intrastate telecommunications services to:

40 (a) Other persons engaged in businesses classified under the
41 telecommunications classification for use in such business.

42 (b) A direct broadcast satellite television or data transmission
43 service that operates pursuant to 47 Code of Federal Regulations ~~parts~~ PART
44 25 ~~and 100~~ for use in its direct broadcast satellite television or data

1 transmission operation by a facility described in section 42-5061, subsection
2 B, paragraph 16, subdivision (b).

3 2. End user common line charges established by federal communications
4 commission regulations (47 Code of Federal Regulations section 69.104(a)).

5 3. Carrier access charges established by federal communications
6 commission regulations (47 Code of Federal Regulations sections 69.105(a)
7 through 69.118).

8 4. Sales of direct broadcast satellite television services pursuant to
9 47 Code of Federal Regulations ~~parts~~ PART 25 ~~and 100~~ by a direct broadcast
10 satellite television service that operates pursuant to 47 Code of Federal
11 Regulations ~~parts~~ PART 25 ~~and 100~~.

12 5. Telecommunications services purchased with a prepaid calling card,
13 or a prepaid authorization number for telecommunications services, that is
14 taxable under section 42-5061.

15 C. A person that is engaged in a transient lodging business subject to
16 taxation under section 42-5070 and that provides telephone, fax or internet
17 access services to its customers at an additional charge, which is separately
18 stated on the customer invoice, is considered to be engaged in business
19 subject to taxation under this section for the purposes of taxing the gross
20 proceeds of sales or gross income derived from providing those services.

21 D. The gross proceeds of sales or gross income derived from a bundled
22 transaction of services that are taxable pursuant to section 42-5023 are
23 subject to the following:

24 1. A telecommunications service provider who can reasonably identify
25 the portion of the sales price of the bundled transaction derived from
26 charges for nontaxable services is subject to tax only on the gross proceeds
27 of sales or gross income derived from the taxable services. For the purposes
28 of this section, the telecommunications service provider may elect to
29 reasonably identify the portion of the sales price of the bundled transaction
30 derived from charges for nontaxable services by using allocation percentages
31 derived from the telecommunications service provider's entire service area,
32 including territories outside of this state. On request, the department may
33 require the telecommunications service provider to provide this allocation
34 information. The reasonableness of the allocation is subject to audit by the
35 department.

36 2. Notwithstanding sections 42-1118, 42-1120 and 42-1121, the
37 telecommunications service provider shall waive the right to file a claim for
38 a refund of taxes paid on the bundled transaction if the taxes paid are based
39 on the allocation percentage the telecommunications service provider had
40 determined to be reasonable at the beginning of the tax period at issue.

41 3. The burden of proof is on the telecommunications service provider
42 to establish that the gross proceeds of sales or gross income is derived from
43 charges for nontaxable services.

1 E. For the purposes of this section:

2 1. "Bundled transaction" means a sale of multiple services in which
3 both of the following apply:

4 (a) The sale consists of both taxable and nontaxable services.

5 (b) The telecommunications service provider charges a customer one
6 sales price for all services that are sold instead of separately charging for
7 each individual service.

8 2. "Internet" means the computer and telecommunications facilities
9 that comprise the interconnected worldwide network of networks that employ
10 the transmission control protocol or internet protocol, or any predecessor or
11 successor protocol, to communicate information of all kinds by wire or radio.

12 3. "Internet access" means a service that enables users to access
13 content, information, electronic mail or other services over the
14 internet. Internet access does not include telecommunications services
15 provided by a common carrier.

16 4. "Intrastate telecommunications services" means transmitting signs,
17 signals, writings, images, sounds, messages, data or other information of any
18 nature by wire, radio waves, light waves or other electromagnetic means if
19 the information transmitted originates and terminates in this state.

20 Sec. 8. Section 42-5151, Arizona Revised Statutes, is amended to read:

21 42-5151. Definitions

22 In this article, unless the context otherwise requires:

23 1. "Ancillary services" means those services so designated in federal
24 energy regulatory commission order 888 adopted in 1996 that include the
25 services necessary to support the transmission of electricity from resources
26 to loads while maintaining reliable operation of the transmission system
27 according to good utility practice.

28 2. "Electric distribution service" means distributing electricity to
29 retail electric customers through the use of electric distribution
30 facilities.

31 3. "Electric generation service" means providing electricity for sale
32 to retail electric customers but excluding electric distribution or
33 transmission services.

34 4. "Electric transmission service" means transmitting electricity to
35 retail electric customers or to electric distribution facilities so
36 classified by the federal energy regulatory commission or, to the extent
37 permitted by law, so classified by the Arizona corporation commission.

38 5. "Electric utility services" means the business of providing
39 electric ancillary services, electric distribution services, electric
40 generation services, electric transmission services and other services
41 related to providing electricity.

42 6. "Electricity" means electric energy, electric capacity or electric
43 capacity and energy.

1 7. "Electricity supplier" means a person, whether acting in a
2 principal, agent or other capacity, that offers to sell electricity to a
3 retail electric customer in this state.

4 8. "Natural gas" means natural or artificial gas, and includes methane
5 and propane gas, the natural gas commodity, natural gas pipeline capacity or
6 natural gas commodity and pipeline capacity.

7 9. "Natural gas utility services" means the business of selling
8 natural gas or providing natural gas transportation services or other
9 services related to providing natural gas.

10 10. "Notice" means written notice served personally or by certified
11 mail and addressed to the last known address of the person to whom such
12 notice is given.

13 11. "Other services" includes metering, meter reading services, billing
14 and collecting services.

15 12. "Person" means an individual, firm, partnership, joint venture,
16 association, corporation, estate, trust, receiver or syndicate, this state or
17 a county, city, municipality, district or other political subdivision or
18 agency thereof.

19 13. "Purchase" means any transfer, exchange or barter, conditional or
20 otherwise, in any manner or by any means, of tangible personal property for a
21 consideration, including transactions by which the possession of property is
22 transferred but the seller retains the title as security for payment.

23 14. "Purchase price" or "sales price" means the total amount for which
24 tangible personal property is sold, including any services that are a part of
25 the sale, valued in money, whether paid in money or otherwise, and any amount
26 for which credit is given to the purchaser by the seller without any
27 deduction on account of the cost of the property sold, materials used, labor
28 or services performed, interest charged, losses or other expenses, but does
29 not include:

30 (a) Discounts allowed and taken.

31 (b) Charges for labor or services in installing, remodeling or
32 repairing.

33 (c) Freight costs billed to and collected from a purchaser by a
34 retailer for tangible personal property which, on the order of the retailer,
35 is shipped directly from a manufacturer or wholesaler to the purchaser.

36 (d) Amounts attributable to federal excise taxes imposed by 26 United
37 States Code section 4001, 4051 or ~~4091~~ 4081 on sales of heavy trucks and
38 trailers and automobiles or on sales of use fuel, as defined in section
39 28-5601.

40 (e) The value of merchandise that is traded in on the purchase of new
41 or pre-owned merchandise when the trade-in allowance is deducted from the
42 sales price of the new or pre-owned merchandise before the completion of the
43 sale.

1 15. "Retail electric customer" means a person who purchases electricity
2 for that person's own use, including use in that person's trade or business,
3 and not for resale, redistribution or retransmission.

4 16. "Retail natural gas customer" means a person who purchases natural
5 gas for that person's own use, including use in that person's trade or
6 business, and not for resale, redistribution or retransmission.

7 17. "Retailer" includes:

8 (a) Every person engaged in the business of making sales of tangible
9 personal property for storage, use or other consumption or in the business of
10 making sales at auction of tangible personal property owned by that person or
11 others for storage, use or other consumption. If in the opinion of the
12 department it is necessary for the efficient administration of this article
13 to regard any salesmen, representatives, peddlers or canvassers as the agents
14 of the dealers, distributors, supervisors or employers under whom they
15 operate or from whom they obtain the tangible personal property sold by them,
16 regardless of whether they are making sales on their own behalf or on behalf
17 of such dealers, distributors, supervisors or employers, the department may
18 so regard them and may regard the dealers, distributors, supervisors or
19 employers as retailers for purposes of this article.

20 (b) A person who solicits orders for tangible personal property by
21 mail if the solicitations are substantial and recurring or if the retailer
22 benefits from any banking, financing, debt collection, telecommunication,
23 television shopping system, cable, optic, microwave or other communication
24 system or marketing activities occurring in this state or benefits from the
25 location in this state of authorized installation, servicing or repair
26 facilities.

27 18. "SOLAR DAYLIGHTING" MEANS A DEVICE THAT IS SPECIFICALLY DESIGNED TO
28 CAPTURE AND REDIRECT THE VISIBLE PORTION OF THE SOLAR BEAM, WHILE CONTROLLING
29 THE INFRARED PORTION, FOR USE IN ILLUMINATING INTERIOR BUILDING SPACES IN
30 LIEU OF ARTIFICIAL LIGHTING.

31 19. "SOLAR ENERGY DEVICE" MEANS A SYSTEM OR SERIES OF MECHANISMS
32 DESIGNED PRIMARILY TO PROVIDE HEATING, TO PROVIDE COOLING, TO PRODUCE
33 ELECTRICAL POWER, TO PRODUCE MECHANICAL POWER, TO PROVIDE SOLAR DAYLIGHTING
34 OR TO PROVIDE ANY COMBINATION OF THE FOREGOING BY MEANS OF COLLECTING AND
35 TRANSFERRING SOLAR GENERATED ENERGY INTO SUCH USES BY EITHER ACTIVE OR
36 PASSIVE MEANS, INCLUDING WIND GENERATOR SYSTEMS THAT PRODUCE ELECTRICITY.
37 SOLAR ENERGY SYSTEMS MAY ALSO HAVE THE CAPABILITY OF STORING SOLAR ENERGY FOR
38 FUTURE USE. PASSIVE SYSTEMS SHALL CLEARLY BE DESIGNED AS A SOLAR ENERGY
39 DEVICE, SUCH AS A TROMBE WALL, AND NOT MERELY AS A PART OF A NORMAL
40 STRUCTURE, SUCH AS A WINDOW.

41 ~~18.~~ 20. "Storage" means keeping or retaining tangible personal
42 property purchased from a retailer for any purpose except sale in the regular
43 course of business or subsequent use solely outside this state.

44 ~~19.~~ 21. "Taxpayer" means any retailer or person storing, using or
45 consuming tangible personal property the storage, use or consumption of which

1 is subject to the tax imposed by this article when such tax was not paid to a
2 retailer.

3 ~~20-~~ 22. "Use or consumption" means the exercise of any right or power
4 over tangible personal property incidental to owning the property except
5 holding for sale or selling the property in the regular course of business.

6 ~~21-~~ 23. "Utility business" means a person that is engaged in the
7 business of providing electric utility services to retail electric customers
8 or natural gas utility services to retail natural gas customers.

9 Sec. 9. Section 42-5159, Arizona Revised Statutes, is amended to read:

10 42-5159. Exemptions

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

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

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

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

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

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

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

43 7. Purchases of implants used as growth promotants and injectable
44 medicines, not already exempt under paragraph 16 of this subsection, for
45 livestock and poultry owned by, or in possession of, persons who are engaged

1 in producing livestock, poultry, or livestock or poultry products, or who are
2 engaged in feeding livestock or poultry commercially. For the purposes of
3 this paragraph, "poultry" includes ratites.

4 8. Livestock, poultry, supplies, feed, salts, vitamins and other
5 additives for use or consumption in the businesses of farming, ranching and
6 feeding livestock or poultry, not including fertilizers, herbicides and
7 insecticides. For the purposes of this paragraph, "poultry" includes
8 ratites.

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

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

15 11. Advertising supplements which are intended for sale with newspapers
16 published in this state and which have already been subjected to an excise
17 tax under the laws of another state in the United States which equals or
18 exceeds the tax imposed by this article.

19 12. Materials that are purchased by or for publicly funded libraries
20 including school district libraries, charter school libraries, community
21 college libraries, state university libraries or federal, state, county or
22 municipal libraries for use by the public as follows:

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

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

25 13. Tangible personal property purchased by:

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

29 (b) A hospital operated by this state or a political subdivision of
30 this state.

31 (c) A licensed nursing care institution or a licensed residential care
32 institution or a residential care facility operated in conjunction with a
33 licensed nursing care institution or a licensed kidney dialysis center, which
34 provides medical services, nursing services or health related services and is
35 not used or held for profit.

36 (d) A qualifying health care organization, as defined in section
37 42-5001, if the tangible personal property is used by the organization solely
38 to provide health and medical related educational and charitable services.

39 (e) A qualifying health care organization as defined in section
40 42-5001 if the organization is dedicated to providing educational,
41 therapeutic, rehabilitative and family medical education training for blind,
42 visually impaired and multihandicapped children from the time of birth to age
43 twenty-one.

44 (f) A nonprofit charitable organization that has qualified under
45 section 501(c)(3) of the United States internal revenue code and that engages

1 in and uses such property exclusively in programs for mentally or physically
2 handicapped persons if the programs are exclusively for training, job
3 placement, rehabilitation or testing.

4 (g) A person that is subject to tax under article 1 of this chapter by
5 reason of being engaged in business classified under the prime contracting
6 classification under section 42-5075, or a subcontractor working under the
7 control of a prime contractor, if the tangible personal property is any of
8 the following:

9 (i) Incorporated or fabricated by the contractor into a structure,
10 project, development or improvement in fulfillment of a contract.

11 (ii) Used in environmental response or remediation activities under
12 section 42-5075, subsection B, paragraph 6.

13 (iii) Incorporated or fabricated by the person into any lake facility
14 development in a commercial enhancement reuse district under conditions
15 prescribed for the deduction allowed by section 42-5075, subsection B,
16 paragraph 8.

17 (h) A nonprofit charitable organization that has qualified under
18 section 501(c)(3) of the internal revenue code if the property is purchased
19 from the parent or an affiliate organization that is located outside this
20 state.

21 (i) A qualifying community health center as defined in section
22 42-5001.

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

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

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

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

44 15. Tangible personal property sold by:

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

4 (b) A nonprofit organization that is exempt from taxation under
5 section 501(c)(3) or 501(c)(6) of the internal revenue code if the
6 organization is associated with a major league baseball team or a national
7 touring professional golfing association and no part of the organization's
8 net earnings inures to the benefit of any private shareholder or individual.

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

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

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

21 18. Prescription eyeglasses and contact lenses.

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

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

24 21. Durable medical equipment which has a centers for medicare and
25 medicaid services common procedure code, is designated reimbursable by
26 medicare, is prescribed by a person who is licensed under title 32, chapter
27 7, 13, 17 or 29, can withstand repeated use, is primarily and customarily
28 used to serve a medical purpose, is generally not useful to a person in the
29 absence of illness or injury and is appropriate for use in the home.

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

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

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

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

43 26. Food, drink or condiment and accessory tangible personal property
44 that are acquired for use by or provided to a school district or charter
45 school if they are to be either served or prepared and served to persons for

1 consumption on the premises of a public school in a school district during
2 school hours.

3 27. Lottery tickets or shares purchased pursuant to title 5, chapter 5,
4 article 1.

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

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

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

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

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

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

27 (b) Public educational institutions.

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

31 33. Natural gas or liquefied petroleum gas used to propel a motor
32 vehicle.

33 34. Machinery, equipment, technology or related supplies that are only
34 useful to assist a person who is physically disabled as defined in section
35 46-191, has a developmental disability as defined in section 36-551 or has a
36 head injury as defined in section 41-3201 to be more independent and
37 functional.

38 35. Liquid, solid or gaseous chemicals used in manufacturing,
39 processing, fabricating, mining, refining, metallurgical operations, research
40 and development and, beginning on January 1, 1999, printing, if using or
41 consuming the chemicals, alone or as part of an integrated system of
42 chemicals, involves direct contact with the materials from which the product
43 is produced for the purpose of causing or permitting a chemical or physical
44 change to occur in the materials as part of the production process. This
45 paragraph does not include chemicals that are used or consumed in activities

1 such as packaging, storage or transportation but does not affect any
2 exemption for such chemicals that is otherwise provided by this section. For
3 the purposes of this paragraph, "printing" means a commercial printing
4 operation and includes job printing, engraving, embossing, copying and
5 bookbinding.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17 3. Tangible personal property sold to persons engaged in business
18 classified under the telecommunications classification under section 42-5064
19 and consisting of central office switching equipment, switchboards, private
20 branch exchange equipment, microwave radio equipment and carrier equipment
21 including optical fiber, coaxial cable and other transmission media which are
22 components of carrier systems.

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

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

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

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

37 (a) A person holding a federal certificate of public convenience and
38 necessity, a supplemental air carrier certificate under federal aviation
39 regulations (14 Code of Federal Regulations part 121) or a foreign air
40 carrier permit for air transportation for use as or in conjunction with or
41 becoming a part of aircraft to be used to transport persons, property or
42 United States mail in intrastate, interstate or foreign commerce.

43 (b) Any foreign government for use by such government outside of this
44 state, or sold to persons who are not residents of this state and who will

1 not use such property in this state other than in removing such property from
2 this state.

3 8. Machinery, tools, equipment and related supplies used or consumed
4 directly in repairing, remodeling or maintaining aircraft, aircraft engines
5 or aircraft component parts by or on behalf of a certificated or licensed
6 carrier of persons or property.

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

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

12 11. Buses or other urban mass transit vehicles which are used directly
13 to transport persons or property for hire or pursuant to a governmentally
14 adopted and controlled urban mass transportation program and which are sold
15 to bus companies holding a federal certificate of convenience and necessity
16 or operated by any city, town or other governmental entity or by any person
17 contracting with such governmental entity as part of a governmentally adopted
18 and controlled program to provide urban mass transportation.

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

20 13. New machinery and equipment consisting of tractors, tractor-drawn
21 implements, self-powered implements, machinery and equipment necessary for
22 extracting milk, and machinery and equipment necessary for cooling milk and
23 livestock, and drip irrigation lines not already exempt under paragraph 6 of
24 this subsection and that are used for commercial production of agricultural,
25 horticultural, viticultural and floricultural crops and products in this
26 state. For the purposes of this paragraph:

27 (a) "New machinery and equipment" means machinery or equipment which
28 has never been sold at retail except pursuant to leases or rentals which do
29 not total two years or more.

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

32 14. Machinery or equipment used in research and development. For the
33 purposes of this paragraph, "research and development" means basic and
34 applied research in the sciences and engineering, and designing, developing
35 or testing prototypes, processes or new products, including research and
36 development of computer software that is embedded in or an integral part of
37 the prototype or new product or that is required for machinery or equipment
38 otherwise exempt under this section to function effectively. Research and
39 development do not include manufacturing quality control, routine consumer
40 product testing, market research, sales promotion, sales service, research in
41 social sciences or psychology, computer software research that is not
42 included in the definition of research and development, or other
43 nontechnological activities or technical services.

44 15. Machinery and equipment that are purchased by or on behalf of the
45 owners of a soundstage complex and primarily used for motion picture,

1 multimedia or interactive video production in the complex. This paragraph
2 applies only if the initial construction of the soundstage complex begins
3 after June 30, 1996 and before January 1, 2002 and the machinery and
4 equipment are purchased before the expiration of five years after the start
5 of initial construction. For the purposes of this paragraph:

6 (a) "Motion picture, multimedia or interactive video production"
7 includes products for theatrical and television release, educational
8 presentations, electronic retailing, documentaries, music videos, industrial
9 films, CD-ROM, video game production, commercial advertising and television
10 episode production and other genres that are introduced through developing
11 technology.

12 (b) "Soundstage complex" means a facility of multiple stages including
13 production offices, construction shops and related areas, prop and costume
14 shops, storage areas, parking for production vehicles and areas that are
15 leased to businesses that complement the production needs and orientation of
16 the overall facility.

17 16. Tangible personal property that is used by either of the following
18 to receive, store, convert, produce, generate, decode, encode, control or
19 transmit telecommunications information:

20 (a) Any direct broadcast satellite television or data transmission
21 service that operates pursuant to 47 Code of Federal Regulations ~~parts~~ PART
22 25 ~~and 100~~.

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

25 (i) Over two-thirds of the transmissions, measured in megabytes,
26 transmitted by the facility during the test period were transmitted to or on
27 behalf of one or more direct broadcast satellite television or data
28 transmission services that operate pursuant to 47 Code of Federal Regulations
29 ~~parts~~ PART 25 ~~and 100~~.

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

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

39 17. Clean rooms that are used for manufacturing, processing,
40 fabrication or research and development, as defined in paragraph 14 of this
41 subsection, of semiconductor products. For the purposes of this paragraph,
42 "clean room" means all property that comprises or creates an environment
43 where humidity, temperature, particulate matter and contamination are
44 precisely controlled within specified parameters, without regard to whether

1 the property is actually contained within that environment or whether any of
2 the property is affixed to or incorporated into real property. Clean room:

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

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

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

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

25 20. Machinery and equipment that are used in the commercial production
26 of livestock, livestock products or agricultural, horticultural, viticultural
27 or floricultural crops or products in this state and that are used directly
28 and primarily to prevent, monitor, control or reduce air, water or land
29 pollution.

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

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

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

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

1 22. Qualifying equipment that is purchased from and after June 30, 2004
2 through June 30, 2014 by a qualified business under section 41-1516 for
3 harvesting or the initial processing of qualifying forest products removed
4 from qualifying projects as defined in section 41-1516. To qualify for this
5 exemption, the qualified business must obtain and present its certification
6 from the department of commerce at the time of purchase.

7 23. Machinery, equipment and other tangible personal property used
8 directly in motion picture production by a motion picture production company.
9 To qualify for this exemption, at the time of purchase, the motion picture
10 production company must present to the retailer its certificate that is
11 issued pursuant to section 42-5009, subsection H and that establishes its
12 qualification for the exemption.

13 C. The exemptions provided by subsection B of this section do not
14 include:

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

19 2. Janitorial equipment and hand tools.

20 3. Office equipment, furniture and supplies.

21 4. Tangible personal property used in selling or distributing
22 activities, other than the telecommunications transmissions described in
23 subsection B, paragraph 16 of this section.

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

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

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

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

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

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

43 E. The tax levied by this article does not apply to:

44 1. The storage, use or consumption in Arizona of machinery, equipment,
45 materials or other tangible personal property if used directly and

1 predominantly to construct a qualified environmental technology
2 manufacturing, producing or processing facility, as described in section
3 41-1514.02. This paragraph applies for ten full consecutive calendar or
4 fiscal years after the start of initial construction.

5 2. The purchase of electricity by a qualified environmental technology
6 manufacturer, producer or processor as defined in section 41-1514.02 that is
7 used directly in environmental technology manufacturing, producing or
8 processing. This paragraph shall apply for fifteen full consecutive calendar
9 or fiscal years from the date the first paper manufacturing machine is placed
10 in service. In the case of an environmental technology manufacturer,
11 producer or processor who does not manufacture paper, the time period shall
12 begin with the date the first manufacturing, processing or production
13 equipment is placed in service.

14 3. THE PURCHASE OF SOLAR ENERGY DEVICES FROM A RETAILER THAT IS
15 REGISTERED WITH THE DEPARTMENT AS A SOLAR ENERGY RETAILER OR A SOLAR ENERGY
16 CONTRACTOR.

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

19 1. Fees charged by a municipally owned utility to persons constructing
20 residential, commercial or industrial developments or connecting residential,
21 commercial or industrial developments to a municipal utility system or
22 systems if the fees are segregated and used only for capital expansion,
23 system enlargement or debt service of the utility system or systems.

24 2. Reimbursement or contribution compensation to any person or persons
25 owning a utility system for property and equipment installed to provide
26 utility access to, on or across the land of an actual utility consumer if the
27 property and equipment become the property of the utility. This deduction
28 shall not exceed the value of such property and equipment.

29 G. For the purposes of subsection B of this section:

30 1. "Aircraft" includes:

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

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

37 2. "Other accessories and related equipment" includes aircraft
38 accessories and equipment such as ground service equipment that physically
39 contact aircraft at some point during the overall carrier operation.

40 H. For the purposes of subsection D of this section, "ancillary
41 services", "electric distribution service", "electric generation service",
42 "electric transmission service" and "other services" have the same meanings
43 prescribed in section 42-5063.

1 Sec. 10. Section 42-12152, Arizona Revised Statutes, is amended to
2 read:

3 42-12152. Criteria for classification of property used for
4 agricultural purposes

5 A. Property is not eligible for classification as property used for
6 agricultural purposes unless it meets the following criteria:

7 1. The primary use of the property is as agricultural land and the
8 property has been in active production according to generally accepted
9 agricultural practices for at least seven of the last ten years. Property
10 that has been in active production may be:

11 (a) Inactive for a period of not more than twelve months as a result
12 of acts of God.

13 (b) Inactive as a result of participation in:

14 (i) A federal farm program ~~requiring~~ **THAT ALLOWS VOLUNTARY LAND**
15 conserving use acreage or acreage conservation ~~requirements~~, or both.

16 (ii) A scheduled crop rotation program.

17 (c) Inactive or partially inactive due to a temporary reduction in or
18 transfer of the available water supply or irrigation district water
19 allotments for agriculture use in the farm unit.

20 (d) Grazing land that is inactive or partially inactive due to reduced
21 carrying capacity or generally accepted range management practices.

22 2. There is a reasonable expectation of operating profit, exclusive of
23 land cost, from the agricultural use of the property.

24 3. If the property consists of noncontiguous parcels, the
25 noncontiguous parcels must be managed and operated on a unitary basis and
26 each parcel must make a functional contribution to the agricultural use of
27 the property.

28 B. If feedlot or dairy operations that are in active production are
29 moved to another property at which the operations are in active production,
30 the requirement that the property be in active production for at least seven
31 of the last ten years does not apply to the property to which the operations
32 are moved for the first seven years after the operations are moved.

33 Sec. 11. Section 42-15006, Arizona Revised Statutes, is amended to
34 read:

35 42-15006. Assessed valuation of class six property

36 The assessed valuation of class six property described in
37 section 42-12006 is based on the following percentages to the full cash value
38 or limited valuation of class six property, as applicable:

39 1. Property described in section 42-12006, paragraphs 1, 2, 3, 5, 6,
40 ~~and~~ **7 AND 8**, five per cent.

41 2. Property described in section 42-12006, paragraph 4:

42 (a) For primary property tax purposes, five per cent.

43 (b) Except as provided in subdivision (c), for secondary property tax
44 purposes:

45 (i) Twenty-five per cent through December 31, 2006.

1 (ii) Twenty-four per cent beginning from and after December 31, 2006
2 through December 31, 2007.

3 (iii) Twenty-three and one-half per cent beginning from and after
4 December 31, 2007 through December 31, 2008.

5 (iv) Twenty-three per cent beginning from and after December 31, 2008
6 through December 31, 2009.

7 (v) Twenty-two and one-half per cent beginning from and after
8 December 31, 2009 through December 31, 2010.

9 (vi) Twenty-two per cent beginning from and after December 31, 2010
10 through December 31, 2011.

11 (vii) Twenty-one and one-half per cent beginning from and after
12 December 31, 2011 through December 31, 2012.

13 (viii) Twenty-one per cent beginning from and after December 31, 2012
14 through December 31, 2013.

15 (ix) Twenty and one-half per cent beginning from and after
16 December 31, 2013 through December 31, 2014.

17 (x) Twenty per cent beginning from and after December 31, 2014.

18 (c) If subdivision (b) is finally adjudicated to be invalid, for
19 secondary property tax purposes, five per cent.

20 Sec. 12. Section 42-15204, Arizona Revised Statutes, is amended to
21 read:

22 42-15204. Transition from personal property to real property
23 roll

24 After the affidavit of affixture has been recorded, the mobile home
25 shall remain on the ~~unsecured~~ PERSONAL property tax roll until the next real
26 and ~~secured~~ PERSONAL property tax ~~roll is~~ ROLLS ARE prepared, at which time
27 ~~it~~ THE MOBILE HOME shall be transferred FROM THE PERSONAL PROPERTY TAX ROLL
28 to the real ~~and-secured~~ property tax roll and shall be considered for all
29 purposes to be a fixture and a real property improvement.

30 Sec. 13. Section 42-17053, Arizona Revised Statutes, is amended to
31 read:

32 42-17053. Estimate of personal property tax roll

33 A. When a tax rate is to be determined and taxes are levied, the
34 county assessor shall make an estimate of the personal property to be added
35 to the tax roll for purposes of computing the property tax rates pursuant to
36 section 42-17151.

37 B. The estimate shall be at least equal to the prior year's taxable
38 personal property value, except that if the assessor has verifiable
39 information that an item or items on the personal property ~~rolls~~ TAX ROLL
40 during the current tax year will not be in the county during the next tax
41 year, the assessor shall not include that item or items in the estimate under
42 this section.

1 Sec. 14. Section 42-19001, Arizona Revised Statutes, is amended to
2 read:

3 42-19001. Powers of county assessor

4 ~~A.~~ In administering this chapter the assessor has the same authority
5 that is granted to county assessors under chapters 13 and 15 of this title
6 and all other authority that is granted to county assessors under any law of
7 this state and that does not conflict with this chapter.

8 ~~B. The duty of the county assessor to determine the valuation of~~
9 ~~unsecured personal property continues throughout the year.~~

10 Sec. 15. Section 42-19002, Arizona Revised Statutes, is amended to
11 read:

12 42-19002. Personal property tax roll

13 A. The county assessor shall enter the valuation of personal property
14 ~~of persons owning real property in the county of a value of less than two~~
15 ~~hundred dollars~~ on ~~a~~ THE personal property tax roll.

16 B. The personal property tax roll shall include:

17 1. The name and residence of the person who owns the personal property
18 or who possesses the property and reports the property for taxation, if the
19 person is known. If the name of the owner of the property is not known, the
20 property shall be listed, valued and entered on the roll to "unknown owner".

21 2. A description of the property sufficient to identify it.

22 3. The location of the property.

23 4. The rate of taxation levied against the property.

24 C. The roll shall be in a proper format for extending the tax levied
25 on the property.

26 D. The county assessor may administratively designate on the roll
27 which property is subject to ~~the provisions of~~ section 42-17153, subsection B
28 and to section 42-19117 when forwarding the roll to the board of supervisors.

29 Sec. 16. Section 42-19153, Arizona Revised Statutes, is amended to
30 read:

31 42-19153. Application and exemptions

32 This article does not apply to:

33 1. A mobile home with respect to which an affidavit of affixture has
34 been recorded pursuant to section 42-15203 and that has been placed on the
35 real ~~and secured personal~~ property tax roll.

36 2. Any trailer that is eight feet or less in width and less than
37 thirty-two feet in length and that is not used as a place of residence or for
38 a commercial purpose. A license tax in lieu of ad valorem property taxes is
39 assessed on those trailers in the same manner as on other vehicles.

40 3. A mobile home that is properly licensed in another state and that
41 is owned by a bona fide tourist in this state. This article does apply to a
42 mobile home or trailer that is located in this state and that is owned by a
43 resident of this state. For THE purposes of this paragraph, "resident"
44 includes:

1 (a) A person, except a tourist or out-of-state student, who owns,
2 leases or rents a dwelling in this state and occupies it as a place of
3 residence.

4 (b) A person who, regardless of domicile, remains in this state for a
5 consecutive period of six months or more.

6 (c) A person who engages in a trade, profession or occupation in this
7 state or who accepts employment in this state in other than seasonal
8 agricultural work.

9 (d) A person who places a child in a public school without paying
10 nonresident tuition.

11 (e) A person who declares that the person is a resident of this state
12 for the purpose of obtaining or paying at resident rates a state license or
13 tuition fees at an educational institution that is maintained by public
14 monies.

15 (f) Any individual, partnership, company, firm, corporation or
16 association that maintains a main office, a branch office or warehouse
17 facilities in this state and that bases and operates motor vehicles in this
18 state.

19 Sec. 17. Section 42-19157, Arizona Revised Statutes, is amended to
20 read:

21 42-19157. Collection of delinquent taxes

22 Except as otherwise prescribed by this article, if a person who is
23 liable for paying tax under this article evades or is delinquent in paying
24 the tax, the tax shall be collected in the manner and by the officers
25 prescribed by this chapter for collecting delinquent taxes on **unsecured**
26 personal property. For delinquent tax report purposes, those officers shall
27 use the method and procedures of identifying mobile homes as prescribed by
28 the department of transportation.

29 Sec. 18. Repeal

30 Laws 2000, seventh special session, chapter 1, section 37 is repealed.

31 Sec. 19. Retroactivity

32 Section 42-15006, Arizona Revised Statutes, as amended by this act,
33 applies retroactively to property tax years beginning from and after December
34 31, 2006.