PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2613

(Reference to printed bill)

Strike everything after the enacting clause and insert:

"Section 1. Section 42-12001, Arizona Revised Statutes, is amended to read:

42-12001. Class one property

For purposes of taxation, class one is established consisting of the following subclasses:

1. Producing mines and mining claims, personal property used on mines and mining claims, improvements to mines and mining claims and mills and smelters operated in conjunction with mines and mining claims that are valued at full cash value pursuant to section 42-14053.

2. Standing timber that is valued at full cash value.

3. Real and personal property of gas distribution companies, electric transmission companies, electric distribution companies, combination gas and electric transmission and distribution companies, companies engaged in the generation of electricity and electric cooperatives OTHER THAN PROPERTY THAT IS SPECIFICALLY INCLUDED IN CLASS SIX, AND that are valued at full cash value pursuant to section 42-14151.

4. Real and personal property of airport fuel delivery companies that are valued pursuant to section 42-14503.

5. Real and personal property that is used by producing oil, gas and geothermal resource interests that are valued at full cash value pursuant to section 42-14102.

6. Real and personal property of water, sewer and wastewater utility companies that are valued at full cash value pursuant to section 42-14151.

7. Real and personal property of pipeline companies that are valued at full cash value pursuant to section 42-14201.

8. Real and personal property of shopping centers that are valued at full cash value or pursuant to chapter 13, article 5 of this title, as applicable.

9. Real and personal property of golf courses that are valued at full cash value or pursuant to chapter 13, article 4 of this title.

10. All property, both real and personal, of manufacturers, assemblers or fabricators, OTHER THAN PROPERTY THAT IS SPECIFICALLY INCLUDED IN ANOTHER CLASS DESCRIBED IN THIS ARTICLE, THAT ARE valued under the provisions of this title.

11. Real and personal property that is used in communications transmission facilities and that provides public telephone or telecommunications exchange or interexchange access for compensation to effect two-way communication to, from, through or within this state.

12. Real property and improvements that are devoted to any other commercial or industrial use, other than property that is specifically included in another class described in this article, and that are valued at full cash value.

13. Personal property that is devoted to any other commercial or industrial use, other than property that is specifically included in another class described in this article, and that is valued at full cash value.

Sec. 2. Section 42-12006, Arizona Revised Statutes, is amended to read:

42-12006. Class six property

For purposes of taxation, class six is established consisting of:

1. Noncommercial historic property as defined in section 42-12101 and valued at full cash value.

2. Real and personal property that is located within the area of a foreign trade zone or subzone established under 19 United States Code section 81 and title 44, chapter 18, that is activated for foreign trade zone use by the district director of the United States customs service pursuant to 19 Code of Federal Regulations section 146.6 and that is valued at full cash

value. Property that is classified under this paragraph shall not thereafter be classified under paragraph 7 of this section.

3. Real and personal property and improvements that are located in a military reuse zone that is established under title 41, chapter 10, article 3 and that is devoted to providing aviation or aerospace services or to manufacturing, assembling or fabricating aviation or aerospace products, valued at full cash value and subject to the following terms and conditions:

(a) Property may not be classified under this paragraph for more than five tax years.

(b) Any new addition or improvement to property already classified under this paragraph qualifies separately for classification under this paragraph for not more than five tax years.

(c) If a military reuse zone is terminated, the property in that zone that was previously classified under this paragraph shall be reclassified as prescribed by this article.

(d) Property that is classified under this paragraph shall not thereafter be classified under paragraph 4, ~~or~~ 7, 9 OR 10 of this section.

4. Real and personal property and improvements that are located in an enterprise zone, that are owned or used by a small manufacturing or small commercial ~~printer~~ PRINTING business that is certified by the department of commerce pursuant to section 41-1525.01 and that are valued at full cash value, subject to the following terms and conditions:

(a) Property may not be classified under this paragraph for more than five tax years.

(b) Property that is classified under this paragraph shall not thereafter be classified under paragraph 3, ~~or~~ 7, 9 OR 10 of this section.

5. Real and personal property and improvements or a portion of such property comprising a qualified environmental technology manufacturing, producing or processing facility as described in section 41-1514.02, valued at full cash value and subject to the following terms and conditions:

(a) Property shall be classified under this paragraph for twenty tax years from the date placed in service.

(b) Any addition or improvement to property already classified under this paragraph qualifies separately for classification under this subdivision for an additional twenty tax years from the date placed in service.

(c) After revocation of certification under section 41-1514.02, property that was previously classified under this paragraph shall be reclassified as prescribed by this article.

(d) Property that is classified under this paragraph shall not thereafter be classified under paragraph 7 of this section.

6. That portion of real and personal property that is used on or after January 1, 1999 specifically and solely for remediation of the environment by an action that has been determined to be reasonable and necessary to respond to the release or threatened release of a hazardous substance by the department of environmental quality pursuant to section 49-282.06 or pursuant to its corrective action authority under rules adopted pursuant to section 49-922, subsection B, paragraph 4 or by the United States environmental protection agency pursuant to the national contingency plan (40 Code of Federal Regulations part 300) and that is valued at full cash value. Property that is not being used specifically and solely for the remediation objectives described in this paragraph shall not be classified under this paragraph. For the purposes of this paragraph, "remediation of the environment" means one or more of the following actions:

(a) Monitoring, assessing or evaluating the release or threatened release.

(b) Excavating, removing, transporting, treating and disposing of contaminated soil.

(c) Pumping and treating contaminated water.

(d) Treatment, containment or removal of contaminants in groundwater or soil.

7. Real and personal property and improvements constructed or installed from and after December 31, 2004 through December 31, 2010 and owned by a qualified business under section 41-1516 and used solely for the purpose of harvesting, transporting or the initial processing of qualifying

forest products removed from qualifying projects as defined in section 41-1516. The classification under this paragraph is subject to the following terms and conditions:

(a) Property may be initially classified under this paragraph only in valuation years 2005 through 2010.

(b) Property may not be classified under this paragraph for more than five years.

(c) Any new addition or improvement, constructed or installed from and after December 31, 2004 through December 31, 2010, to property already classified under this paragraph qualifies separately for classification and assessment under this paragraph for not more than five years.

(d) Property that is classified under this paragraph shall not thereafter be classified under paragraph 2, 3, 4, ~~or~~ 5, 9 OR 10 of this section.

8. Real and personal property and improvements to the property that are used specifically and solely to manufacture from and after December 31, 2006 through December 31, 2016 biodiesel fuel that is one hundred per cent biodiesel and its by-products and that are valued at full cash value. This paragraph applies only to the portion of property that is used specifically for manufacturing and processing one hundred per cent biodiesel fuel, or its related by-products, from raw feedstock obtained from off-site sources, including necessary on-site storage facilities that are intrinsically associated with the manufacturing process. Any other commercial or industrial use disqualifies the entire property from classification under this paragraph.

9. REAL AND PERSONAL PROPERTY AND IMPROVEMENTS DESCRIBED IN SECTION 42-12056 CONSISTING OF A CENTRAL STATION ELECTRIC GENERATION FACILITY USING RENEWABLE ENERGY EQUIPMENT THAT GENERATES AT LEAST TWO MEGAWATTS OF ELECTRICITY THAT IS SUPPLIED THROUGH A GRID CONNECTION TO A PUBLIC OR PRIVATE ELECTRIC TRANSMISSION OR DISTRIBUTION UTILITY SYSTEM PURSUANT TO A POWER PURCHASE AGREEMENT.

10. REAL AND PERSONAL PROPERTY AND IMPROVEMENTS USED EXCLUSIVELY IN THE MANUFACTURING OF RENEWABLE ENERGY EQUIPMENT AS DEFINED IN SECTION 42-12057. THIS PARAGRAPH APPLIES ONLY TO THE PORTION OF PROPERTY THAT IS USED SPECIFICALLY FOR MANUFACTURING OF RENEWABLE ENERGY EQUIPMENT, INCLUDING NECESSARY ON-SITE STORAGE FACILITIES THAT ARE INTRINSICALLY ASSOCIATED WITH THE MANUFACTURING PROCESS. ANY OTHER COMMERCIAL OR INDUSTRIAL USE DISQUALIFIES THE ENTIRE PROPERTY FROM CLASSIFICATION UNDER THIS PARAGRAPH.

Sec. 3. Title 42, chapter 12, article 2, Arizona Revised Statutes, is amended by adding sections 42-12056 and 42-12057, to read:

42-12056. Criteria for renewable energy generation facilities property

A. TO QUALIFY FOR THE CLASSIFICATION AS CLASS SIX PURSUANT TO SECTION 42-12006, PARAGRAPH 9, THE OWNER OF A CENTRAL STATION GENERATION FACILITY THAT IS VALUED PURSUANT TO SECTION 42-14155 MUST PROVIDE DOCUMENTATION TO THE DEPARTMENT EACH YEAR THAT THE CENTRAL STATION GENERATION FACILITY HAS THE CAPACITY TO GENERATE AT LEAST TWO MEGAWATTS OF ELECTRICITY IN THAT YEAR, THAT IT USES RENEWABLE ENERGY EQUIPMENT AND THAT IT HAS A GRID CONNECTION TO, AND A POWER PURCHASE AGREEMENT WITH, A PUBLIC OR PRIVATE ELECTRIC TRANSMISSION OR DISTRIBUTION UTILITY SYSTEM.

B. THE OWNER OF A CENTRAL STATION GENERATION FACILITY MAY NOT SEEK QUALIFICATION FOR PORTIONS OF THE FACILITY THAT WORK IN CONJUNCTION WITH RENEWABLE ENERGY EQUIPMENT THAT IS USED AS BACKUP POWER AND USES NATURAL GAS, COAL OR PETROLEUM ENERGY SOURCES.

42-12057. Criteria for renewable energy manufacturing property; definition

A. TO QUALIFY FOR THE CLASSIFICATION AS CLASS SIX PURSUANT TO SECTION 42-12006, PARAGRAPH 10, THE OWNER OF A MANUFACTURING FACILITY MUST PROVIDE DOCUMENTATION TO THE COUNTY ASSESSOR EACH YEAR THAT THE MANUFACTURING FACILITY MANUFACTURES EXCLUSIVELY RENEWABLE ENERGY EQUIPMENT.

B. FOR THE PURPOSES OF THIS SECTION, "RENEWABLE ENERGY EQUIPMENT" MEANS EQUIPMENT THAT IS MANUFACTURED FOR USE IN THE GENERATION, STORAGE, TRANSMISSION OR DISTRIBUTION OF ELECTRICITY DERIVED FROM SOLAR, WIND, FOREST

THINNINGS, AGRICULTURAL WASTE, LANDFILL GAS, BIOGAS, GEOTHERMAL OR LOW-IMPACT HYDROPOWER.

Sec. 4. Section 42-15006, Arizona Revised Statutes, is amended to read:

42-15006. Assessed valuation of class six property

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

1. Property described in section 42-12006, paragraphs 1, 2, 3, 5, 6, ~~and~~ 7, 9 AND 10, five per cent.

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

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

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

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

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

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

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

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

(vi) Twenty per cent beginning from and after December 31, 2010.

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

Amend title to conform

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