

REFERENCE TITLE: prohibiting municipal taxation of services

State of Arizona
House of Representatives
Forty-eighth Legislature
Second Regular Session
2008

HB 2637

Introduced by
Representatives Murphy, Pearce: Adams, Crump, Nichols, Yarbrough

AN ACT

AMENDING SECTION 42-6004, ARIZONA REVISED STATUTES; RELATING TO MUNICIPAL TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 42-6004, Arizona Revised Statutes, is amended to
3 read:

4 42-6004. Exemption from municipal tax

5 A. A city, town or special taxing district shall not levy a
6 transaction privilege, sales, use or other similar tax on:

7 1. Exhibition events in this state sponsored, conducted or operated by
8 a nonprofit organization that is exempt from taxation under section
9 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the
10 organization is associated with a major league baseball team or a national
11 touring professional golfing association and no part of the organization's
12 net earnings inures to the benefit of any private shareholder or individual.

13 2. Interstate telecommunications services, which include that portion
14 of telecommunications services, such as subscriber line service, allocable by
15 federal law to interstate telecommunications service.

16 3. Sales of warranty or service contracts.

17 4. Sales of motor vehicles to nonresidents of this state for use
18 outside this state if the vendor ships or delivers the motor vehicle to a
19 destination outside this state.

20 5. Interest on finance contracts.

21 6. Dealer documentation fees on the sales of motor vehicles.

22 7. Through December 31, 2009, the gross proceeds of sales or gross
23 income received from a contract from constructing any lake facility
24 development in a commercial enhancement reuse district established pursuant
25 to section 9-499.08.

26 8. Sales of food or other items purchased with United States
27 department of agriculture food stamp coupons issued under the food stamp act
28 of 1977 (P.L. 95-113; 91 Stat. 958) or food instruments issued under section
29 17 of the child nutrition act (P.L. 95-627; 92 Stat. 3603; P.L. 99-661,
30 section 4302; 42 United States Code section 1786) but may impose such a tax
31 on other sales of food. If a city, town or special taxing district exempts
32 sales of food from its tax or imposes a different transaction privilege rate
33 on the gross proceeds of sales or gross income from sales of food and nonfood
34 items, it shall use the definition of food prescribed by rule adopted by the
35 department pursuant to section 42-5106.

36 9. Sales of internet access services to the person's subscribers and
37 customers. For the purposes of this paragraph:

38 (a) "Internet" means the computer and telecommunications facilities
39 that comprise the interconnected worldwide network of networks that employ
40 the transmission control protocol or internet protocol, or any predecessor or
41 successor protocol, to communicate information of all kinds by wire or radio.

42 (b) "Internet access" means a service that enables users to access
43 content, information, electronic mail or other services over the
44 internet. Internet access does not include telecommunication services
45 provided by a common carrier.

1 10. The gross proceeds of sales or gross income retained by the Arizona
2 exposition and state fair board from ride ticket sales at the annual Arizona
3 state fair.

4 11. Through August 31, 2014, sales of Arizona centennial medallions by
5 the historical advisory commission.

6 12. THE BUSINESS OR GROSS PROCEEDS OR GROSS INCOME DERIVED FROM
7 PROVIDING SERVICES TO CUSTOMERS, UNLESS INCLUDED IN A BUSINESS CLASSIFICATION
8 SUBJECT TO TRANSACTION PRIVILEGE TAX UNDER CHAPTER 5, ARTICLE 2 OF THIS
9 TITLE. FOR THE PURPOSES OF THIS PARAGRAPH, "SERVICES" INCLUDES:

10 (a) PERSONAL SERVICES, INCLUDING LAUNDRY, CLEANING AND GARMENT
11 SERVICES, PHOTOGRAPHIC STUDIOS, BEAUTY AND BARBER SHOPS, SHOE REPAIR AND
12 SHOESHINE PARLORS, FUNERAL SERVICES, MORTUARIES AND CREMATORIES AND TAX
13 PREPARATION SERVICES.

14 (b) BUSINESS SERVICES, INCLUDING ADVERTISING, CREDIT REPORTING AND
15 COLLECTION, COMMERCIAL PHOTOGRAPHY AND PHOTOFINISHING, SECRETARIAL SERVICES,
16 COURT REPORTING, FUMIGATION AND PEST CONTROL, BUILDING MAINTENANCE, TEMPORARY
17 AND PERMANENT EMPLOYMENT AGENCIES, COMPUTER AND DATA PROCESSING SERVICES,
18 DETECTIVE, ARMORED CAR AND SECURITY SERVICES AND NEWS SYNDICATES.

19 (c) AUTOMOBILE REPAIR AND PARKING SERVICES.

20 (d) ELECTRICAL REPAIR, WATCH, CLOCK AND JEWELRY REPAIR, FURNITURE
21 REPAIR AND UPHOLSTERY, WELDING AND ARMATURE REWINDING SHOPS.

22 (e) MOTION PICTURE PRODUCTION, DISTRIBUTION AND SERVICES.

23 (f) HEALTH CARE, INCLUDING COSMETIC TREATMENT AND SURGERY.

24 (g) LEGAL SERVICES, INCLUDING ARBITRATION AND MEDIATION SERVICES.

25 (h) PRIVATE COMMON, HIGH AND POSTSECONDARY EDUCATIONAL SERVICES,
26 VOCATIONAL SCHOOLS AND INSTRUCTION SERVICES AND LIBRARIES.

27 (i) INDIVIDUAL AND FAMILY COUNSELING SERVICES, JOB TRAINING, CHILD AND
28 RESIDENTIAL CARE AND OTHER SOCIAL SERVICES.

29 (j) BUSINESS, PROFESSIONAL, LABOR, CIVIC, SOCIAL, POLITICAL, RELIGIOUS
30 AND OTHER MEMBERSHIP ASSOCIATIONS AND ORGANIZATIONS.

31 (k) ENGINEERING AND MANAGEMENT SERVICES, INCLUDING ARCHITECTS,
32 ACCOUNTING, AUDITING, BOOKKEEPING, RESEARCH, MARKETING, POLLING, TESTING AND
33 PUBLIC RELATIONS SERVICES.

34 B. A city, town or other taxing jurisdiction shall not levy a
35 transaction privilege, sales, use, franchise or other similar tax or fee,
36 however denominated, on natural gas or liquefied petroleum gas used to propel
37 a motor vehicle.

38 C. A city, town or other taxing jurisdiction shall not levy a
39 transaction privilege, sales, gross receipts, use, franchise or other similar
40 tax or fee, however denominated, on gross proceeds of sales or gross income
41 derived from any of the following:

42 1. A motor carrier's use on the public highways in this state if the
43 motor carrier is subject to a fee prescribed in title 28, chapter 16,
44 article 4.

1 2. Leasing, renting or licensing a motor vehicle subject to and upon
2 which the fee has been paid under title 28, chapter 16, article 4.

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

8 4. Incarcerating or detaining in a privately operated prison, jail or
9 detention facility prisoners who are under the jurisdiction of the United
10 States, this state or any other state or a political subdivision of this
11 state or of any other state.

12 5. Transporting for hire persons, freight or property by light motor
13 vehicles subject to a fee under title 28, chapter 15, article 4.

14 6. Through December 31, 2009, and except as provided in section
15 42-6104, a contract from constructing any lake facility development in a
16 commercial enhancement reuse district established pursuant to section
17 9-499.08.

18 7. Development or impact fees included in a construction or
19 development contract for payment to the state or a local government to offset
20 governmental costs of providing public infrastructure, public safety and
21 other public services to a development.

22 D. A city, town or other taxing jurisdiction shall not levy a
23 transaction privilege, sales, use, franchise or other similar tax or fee,
24 however denominated, in excess of one-tenth of one per cent of the value of
25 the entire product mined, smelted, extracted, refined, produced or prepared
26 for sale, profit or commercial use, on persons engaged in the business of
27 mineral processing, except to the extent that the tax is computed on the
28 gross proceeds or gross income from sales at retail.

29 E. In computing the tax base, any city, town or other taxing
30 jurisdiction shall not include in the gross proceeds of sales or gross
31 income:

32 1. A manufacturer's cash rebate on the sales price of a motor vehicle
33 if the buyer assigns the buyer's right in the rebate to the retailer.

34 2. The waste tire disposal fee imposed pursuant to section 44-1302.

35 Sec. 2. Effective date

36 This act is effective from and after December 31, 2008.