

State of Arizona  
House of Representatives  
Fiftieth Legislature  
Second Regular Session  
2012

# HOUSE BILL 2629

AN ACT

AMENDING SECTIONS 42-5159, 42-5162 AND 43-321, ARIZONA REVISED STATUTES;  
REPEALING SECTION 42-5169, ARIZONA REVISED STATUTES; RELATING TO USE TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 42-5159, Arizona Revised Statutes, is amended to  
3 read:

4 42-5159. Exemptions

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

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

11 2. Tangible personal property the sale or use of which has already  
12 been subjected to an excise tax at a rate equal to or exceeding the tax  
13 imposed by this article under the laws of another state of the United States.  
14 If the excise tax imposed by the other state is at a rate less than the tax  
15 imposed by this article, the tax imposed by this article is reduced by the  
16 amount of the tax already imposed by the other state.

17 3. Tangible personal property, the storage, use or consumption of  
18 which the constitution or laws of the United States prohibit this state from  
19 taxing or to the extent that the rate or imposition of tax is  
20 unconstitutional under the laws of the United States.

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

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

32 6. Tangible personal property brought into this state by an individual  
33 who was:

34 (a) **A RESIDENT OF THIS STATE AT THE TIME THE PROPERTY WAS PURCHASED,  
35 UNLESS THE PROPERTY IS EITHER:**

36 (i) **USED IN CONDUCTING BUSINESS IN THIS STATE.**

37 (ii) **A MOTOR VEHICLE OR WATERCRAFT.**

38 (b) A nonresident at the time the property was purchased for storage,  
39 use or consumption by the individual if the first actual use or consumption  
40 of the property was outside this state, unless the property is used in  
41 conducting a business in this state.

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

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

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

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

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

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

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

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

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

24 13. Tangible personal property purchased by:

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

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

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

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

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

43 (f) A nonprofit charitable organization that has qualified under  
44 section 501(c)(3) of the United States internal revenue code and that engages  
45 in and uses such property exclusively in programs for mentally or physically

1 handicapped persons if the programs are exclusively for training, job  
2 placement, rehabilitation or testing.

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

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

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

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

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

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

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

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

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

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

- 1           15. Tangible personal property sold by:
- 2           (a) Any nonprofit organization organized and operated exclusively for  
3 charitable purposes and recognized by the United States internal revenue  
4 service under section 501(c)(3) of the internal revenue code.
- 5           (b) A nonprofit organization that is exempt from taxation under  
6 section 501(c)(3) or 501(c)(6) of the internal revenue code if the  
7 organization is associated with a major league baseball team or a national  
8 touring professional golfing association and no part of the organization's  
9 net earnings inures to the benefit of any private shareholder or individual.
- 10          (c) A nonprofit organization that is exempt from taxation under  
11 section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the  
12 internal revenue code if the organization sponsors or operates a rodeo  
13 featuring primarily farm and ranch animals and no part of the organization's  
14 net earnings inures to the benefit of any private shareholder or individual.
- 15          16. Drugs and medical oxygen, including delivery hose, mask or tent,  
16 regulator and tank, on the prescription of a member of the medical, dental or  
17 veterinarian profession who is licensed by law to administer such substances.
- 18          17. Prosthetic appliances, as defined in section 23-501, prescribed or  
19 recommended by a person who is licensed, registered or otherwise  
20 professionally credentialed as a physician, dentist, podiatrist,  
21 chiropractor, naturopath, homeopath, nurse or optometrist.
- 22          18. Prescription eyeglasses and contact lenses.
- 23          19. Insulin, insulin syringes and glucose test strips.
- 24          20. Hearing aids as defined in section 36-1901.
- 25          21. Durable medical equipment which has a centers for medicare and  
26 medicaid services common procedure code, is designated reimbursable by  
27 medicare, is prescribed by a person who is licensed under title 32, chapter  
28 7, 13, 17 or 29, can withstand repeated use, is primarily and customarily  
29 used to serve a medical purpose, is generally not useful to a person in the  
30 absence of illness or injury and is appropriate for use in the home.
- 31          22. Food, as provided in and subject to the conditions of article 3 of  
32 this chapter and section 42-5074.
- 33          23. Items purchased with United States department of agriculture food  
34 stamp coupons issued under the food stamp act of 1977 (P.L. 95-113; 91 Stat.  
35 958) or food instruments issued under section 17 of the child nutrition act  
36 (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42 United States Code  
37 section 1786).
- 38          24. Food and drink provided without monetary charge by a taxpayer which  
39 is subject to section 42-5074 to its employees for their own consumption on  
40 the premises during the employees' hours of employment.
- 41          25. Tangible personal property that is used or consumed in a business  
42 subject to section 42-5074 for human food, drink or condiment, whether  
43 simple, mixed or compounded.
- 44          26. Food, drink or condiment and accessory tangible personal property  
45 that are acquired for use by or provided to a school district or charter

1 school if they are to be either served or prepared and served to persons for  
2 consumption on the premises of a public school in the school district or on  
3 the premises of the charter school during school hours.

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

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

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

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

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

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

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

28 (b) Public educational institutions.

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

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

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

39 35. Liquid, solid or gaseous chemicals used in manufacturing,  
40 processing, fabricating, mining, refining, metallurgical operations, research  
41 and development and, beginning on January 1, 1999, printing, if using or  
42 consuming the chemicals, alone or as part of an integrated system of  
43 chemicals, involves direct contact with the materials from which the product  
44 is produced for the purpose of causing or permitting a chemical or physical  
45 change to occur in the materials as part of the production process. This

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

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

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

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

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

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

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

41 40. Through December 31, 1994, tangible personal property sold pursuant  
42 to a personal property liquidation transaction, as defined in section  
43 42-5061. From and after December 31, 1994, tangible personal property sold  
44 pursuant to a personal property liquidation transaction, as defined in  
45 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           50. Application services that are designed to assess or test student  
2 learning or to promote curriculum design or enhancement purchased by or for  
3 any school district, charter school, community college or state university.  
4 For the purposes of this paragraph:

5           (a) "Application services" means software applications provided  
6 remotely using hypertext transfer protocol or another network protocol.

7           (b) "Curriculum design or enhancement" means planning, implementing or  
8 reporting on courses of study, lessons, assignments or other learning  
9 activities.

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

13          1. Machinery, or equipment, used directly in manufacturing,  
14 processing, fabricating, job printing, refining or metallurgical operations.  
15 The terms "manufacturing", "processing", "fabricating", "job printing",  
16 "refining" and "metallurgical" as used in this paragraph refer to and include  
17 those operations commonly understood within their ordinary meaning.  
18 "Metallurgical operations" includes leaching, milling, precipitating,  
19 smelting and refining.

20          2. Machinery, or equipment, used directly in the process of extracting  
21 ores or minerals from the earth for commercial purposes, including equipment  
22 required to prepare the materials for extraction and handling, loading or  
23 transporting such extracted material to the surface. "Mining" includes  
24 underground, surface and open pit operations for extracting ores and  
25 minerals.

26          3. Tangible personal property sold to persons engaged in business  
27 classified under the telecommunications classification under section 42-5064  
28 and consisting of central office switching equipment, switchboards, private  
29 branch exchange equipment, microwave radio equipment and carrier equipment  
30 including optical fiber, coaxial cable and other transmission media which are  
31 components of carrier systems.

32          4. Machinery, equipment or transmission lines used directly in  
33 producing or transmitting electrical power, but not including distribution.  
34 Transformers and control equipment used at transmission substation sites  
35 constitute equipment used in producing or transmitting electrical power.

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

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

1           7. Aircraft, navigational and communication instruments and other  
2 accessories and related equipment sold to:

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

9           (b) Any foreign government, or sold to persons who are not residents  
10 of this state and who will not use such property in this state other than in  
11 removing such property from this state.

12           8. Machinery, tools, equipment and related supplies used or consumed  
13 directly in repairing, remodeling or maintaining aircraft, aircraft engines  
14 or aircraft component parts by or on behalf of a certificated or licensed  
15 carrier of persons or property.

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

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

21           11. Buses or other urban mass transit vehicles which are used directly  
22 to transport persons or property for hire or pursuant to a governmentally  
23 adopted and controlled urban mass transportation program and which are sold  
24 to bus companies holding a federal certificate of convenience and necessity  
25 or operated by any city, town or other governmental entity or by any person  
26 contracting with such governmental entity as part of a governmentally adopted  
27 and controlled program to provide urban mass transportation.

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

29           13. New machinery and equipment consisting of tractors, tractor-drawn  
30 implements, self-powered implements, machinery and equipment necessary for  
31 extracting milk, and machinery and equipment necessary for cooling milk and  
32 livestock, and drip irrigation lines not already exempt under paragraph 6 of  
33 this subsection and that are used for commercial production of agricultural,  
34 horticultural, viticultural and floricultural crops and products in this  
35 state. For the purposes of this paragraph:

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

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

41           14. Machinery or equipment used in research and development. For the  
42 purposes of this paragraph, "research and development" means basic and  
43 applied research in the sciences and engineering, and designing, developing  
44 or testing prototypes, processes or new products, including research and  
45 development of computer software that is embedded in or an integral part of

1 the prototype or new product or that is required for machinery or equipment  
2 otherwise exempt under this section to function effectively. Research and  
3 development do not include manufacturing quality control, routine consumer  
4 product testing, market research, sales promotion, sales service, research in  
5 social sciences or psychology, computer software research that is not  
6 included in the definition of research and development, or other  
7 nontechnological activities or technical services.

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

15 (a) "Motion picture, multimedia or interactive video production"  
16 includes products for theatrical and television release, educational  
17 presentations, electronic retailing, documentaries, music videos, industrial  
18 films, CD-ROM, video game production, commercial advertising and television  
19 episode production and other genres that are introduced through developing  
20 technology.

21 (b) "Soundstage complex" means a facility of multiple stages including  
22 production offices, construction shops and related areas, prop and costume  
23 shops, storage areas, parking for production vehicles and areas that are  
24 leased to businesses that complement the production needs and orientation of  
25 the overall facility.

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

29 (a) Any direct broadcast satellite television or data transmission  
30 service that operates pursuant to 47 Code of Federal Regulations part 25.

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

33 (i) Over two-thirds of the transmissions, measured in megabytes,  
34 transmitted by the facility during the test period were transmitted to or on  
35 behalf of one or more direct broadcast satellite television or data  
36 transmission services that operate pursuant to 47 Code of Federal Regulations  
37 part 25.

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

42 For the purposes of subdivision (b) of this paragraph, "test period" means  
43 the three hundred sixty-five day period beginning on the later of the date on  
44 which the tangible personal property is purchased or the date on which the

1 direct broadcast satellite television or data transmission service first  
2 transmits information to its customers.

3 17. Clean rooms that are used for manufacturing, processing,  
4 fabrication or research and development, as defined in paragraph 14 of this  
5 subsection, of semiconductor products. For the purposes of this paragraph,  
6 "clean room" means all property that comprises or creates an environment  
7 where humidity, temperature, particulate matter and contamination are  
8 precisely controlled within specified parameters, without regard to whether  
9 the property is actually contained within that environment or whether any of  
10 the property is affixed to or incorporated into real property. Clean room:

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

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

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

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

33 20. Machinery and equipment that are used in the commercial production  
34 of livestock, livestock products or agricultural, horticultural, viticultural  
35 or floricultural crops or products in this state and that are used directly  
36 and primarily to prevent, monitor, control or reduce air, water or land  
37 pollution.

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

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

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

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

8 22. Qualifying equipment that is purchased from and after June 30, 2004  
9 through June 30, 2014 by a qualified business under section 41-1516 for  
10 harvesting or the initial processing of qualifying forest products removed  
11 from qualifying projects as defined in section 41-1516. To qualify for this  
12 exemption, the qualified business must obtain and present its certification  
13 from the Arizona commerce authority at the time of purchase.

14 23. Machinery, equipment and other tangible personal property used  
15 directly in motion picture production by a motion picture production company.  
16 To qualify for this exemption, at the time of purchase, the motion picture  
17 production company must present to the retailer its certificate that is  
18 issued pursuant to section 42-5009, subsection H and that establishes its  
19 qualification for the exemption.

20 C. The exemptions provided by subsection B of this section do not  
21 include:

22 1. Expendable materials. For the purposes of this paragraph,  
23 expendable materials do not include any of the categories of tangible  
24 personal property specified in subsection B of this section regardless of the  
25 cost or useful life of that property.

26 2. Janitorial equipment and hand tools.

27 3. Office equipment, furniture and supplies.

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

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

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

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

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

40 1. Revenues received from sales of ancillary services, electric  
41 distribution services, electric generation services, electric transmission  
42 services and other services related to providing electricity to a retail  
43 electric customer who is located outside this state for use outside this  
44 state if the electricity is delivered to a point of sale outside this state.

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

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

7           1. The storage, use or consumption in Arizona of machinery, equipment,  
8 materials or other tangible personal property if used directly and  
9 predominantly to construct a qualified environmental technology  
10 manufacturing, producing or processing facility, as described in section  
11 41-1514.02. This paragraph applies for ten full consecutive calendar or  
12 fiscal years after the start of initial construction.

13           2. The purchase of electricity by a qualified environmental technology  
14 manufacturer, producer or processor as defined in section 41-1514.02 that is  
15 used directly in environmental technology manufacturing, producing or  
16 processing. This paragraph shall apply for twenty full consecutive calendar  
17 or fiscal years from the date the first paper manufacturing machine is placed  
18 in service. In the case of an environmental technology manufacturer,  
19 producer or processor who does not manufacture paper, the time period shall  
20 begin with the date the first manufacturing, processing or production  
21 equipment is placed in service.

22           3. The purchase of solar energy devices from a retailer that is  
23 registered with the department as a solar energy retailer or a solar energy  
24 contractor.

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

27           1. Fees charged by a municipally owned utility to persons constructing  
28 residential, commercial or industrial developments or connecting residential,  
29 commercial or industrial developments to a municipal utility system or  
30 systems if the fees are segregated and used only for capital expansion,  
31 system enlargement or debt service of the utility system or systems.

32           2. Reimbursement or contribution compensation to any person or persons  
33 owning a utility system for property and equipment installed to provide  
34 utility access to, on or across the land of an actual utility consumer if the  
35 property and equipment become the property of the utility. This deduction  
36 shall not exceed the value of such property and equipment.

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

38           1. "Aircraft" includes:

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

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



1           1. It shall contain or be verified by a declaration that it is made  
2 under penalties of perjury. The declaration shall be written or in a form  
3 prescribed by the department pursuant to section 42-1105, subsection B.

4           2. A specific statement of the items of the taxpayer's gross income  
5 and the adjustments, deductions and credits allowed by this title.

6           ~~3. A specific statement of the taxpayer's use tax liability pursuant~~  
7 ~~to section 42-5169.~~

8           ~~4.~~ 3. Such other information as the department may by rule prescribe  
9 for the purpose of carrying out the provisions of this title.

10          Sec. 5. Retroactivity

11          This act is effective retroactively to July 20, 2011.