

State of Arizona
Senate
Fifty-first Legislature
First Special Session
2013

SENATE BILL 1001

AN ACT

AMENDING SECTION 32-1134, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 10, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-1519; AMENDING SECTIONS 42-2003, 42-5031.01, 42-5061, 42-5075, 42-5159, 42-6004 AND 43-1088, ARIZONA REVISED STATUTES; MAKING APPROPRIATIONS; RELATING TO REVENUE BUDGET RECONCILIATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 32-1134, Arizona Revised Statutes, is amended to
3 read:

4 32-1134. Powers and duties of registrar

5 A. The registrar shall:

6 1. Establish assessments and maintain the fund balance at a level
7 sufficient to pay operating costs and anticipated claims using the cash basis
8 of accounting.

9 2. Cause an examination of the fund to be made every three years by an
10 independent certified public accountant.

11 3. File with the department of insurance an annual statement of the
12 condition of the fund.

13 4. Employ accountants and attorneys from monies in the fund, but not
14 to exceed ten thousand dollars in any fiscal year, that are necessary for the
15 performance of the duties prescribed in this section.

16 5. Employ or contract with individuals and procure equipment and
17 operational support, to be paid from or purchased with monies in the fund,
18 but not to exceed ~~ten per cent of the fund~~ in any fiscal year **FOURTEEN PER**
19 **CENT OF THE TOTAL AMOUNT DEPOSITED IN THE FUND IN THE PRIOR FISCAL YEAR** as
20 may be necessary to monitor, process or oppose claims filed by injured
21 persons which may result in collection from the recovery fund.

22 B. Notwithstanding section 32-1135, the registrar may expend interest
23 monies from the fund to increase public awareness of the fund. This
24 expenditure shall not exceed fifty thousand dollars in any fiscal year.

25 Sec. 2. Title 41, chapter 10, article 1, Arizona Revised Statutes, is
26 amended by adding section 41-1519, to read:

27 41-1519. Computer data center tax relief; definitions

28 A. FROM AND AFTER AUGUST 31, 2013, TAX RELIEF IS ALLOWED FOR THE OWNER
29 OR OPERATOR OF A COMPUTER DATA CENTER CERTIFIED PURSUANT TO THIS SECTION.
30 THE SAME TAX RELIEF IS ALLOWED FOR QUALIFIED COLOCATION TENANTS OF THE
31 COMPUTER DATA CENTER. ALL TAX RELIEF APPLIES DURING THE QUALIFICATION
32 PERIOD.

33 B. TO QUALIFY FOR THE TAX RELIEF, THE OWNER OR OPERATOR SHALL SUBMIT
34 TO THE AUTHORITY A FORM PRESCRIBED BY THE AUTHORITY THAT INCLUDES ALL OF THE
35 FOLLOWING:

36 1. THE OWNER'S OR OPERATOR'S NAME, ADDRESS AND TELEPHONE NUMBER.

37 2. THE ADDRESS OF THE SITE WHERE THE FACILITY IS OR WILL BE LOCATED,
38 INCLUDING, IF APPLICABLE, INFORMATION SUFFICIENT TO IDENTIFY THE SPECIFIC
39 PORTION OR PORTIONS OF THE FACILITY COMPOSING THE COMPUTER DATA CENTER.

40 3. IF THE COMPUTER DATA CENTER IS TO QUALIFY UNDER SUBSECTION E,
41 PARAGRAPH 1 OF THIS SECTION, BOTH OF THE FOLLOWING:

42 (a) THE ANTICIPATED INVESTMENT ASSOCIATED WITH THE COMPUTER DATA
43 CENTER FOR WHICH THE TAX RELIEF IS BEING SOUGHT AND WHETHER THE COMPUTER DATA
44 CENTER IS ANTICIPATED TO QUALIFY AS A SUSTAINABLE REDEVELOPMENT PROJECT.

1 (b) AN AFFIRMATION, SIGNED BY AN AUTHORIZED EXECUTIVE REPRESENTING THE
2 OWNER OR OPERATOR, THAT THE COMPUTER DATA CENTER IS EXPECTED TO SATISFY ONE
3 OF THE CERTIFICATION REQUIREMENTS PRESCRIBED IN SUBSECTION E, PARAGRAPH 1 OF
4 THIS SECTION AND THAT THE COMPUTER DATA CENTER WILL NOT VIOLATE SUBSECTION L
5 OF THIS SECTION.

6 4. IF THE COMPUTER DATA CENTER IS TO QUALIFY UNDER SUBSECTION E,
7 PARAGRAPH 2 OF THIS SECTION, AN AFFIRMATION, SIGNED BY AN AUTHORIZED
8 EXECUTIVE REPRESENTING THE OWNER OR OPERATOR, THAT THE COMPUTER DATA CENTER
9 HAS SATISFIED THE CERTIFICATION REQUIREMENTS PRESCRIBED IN SUBSECTION E,
10 PARAGRAPH 2 OF THIS SECTION, WHETHER THE COMPUTER DATA CENTER QUALIFIES AS A
11 SUSTAINABLE REDEVELOPMENT PROJECT AND THAT THE COMPUTER DATA CENTER WILL NOT
12 VIOLATE SUBSECTION L OF THIS SECTION.

13 C. WITHIN SIXTY DAYS AFTER RECEIVING A COMPLETE AND CORRECT FORM, THE
14 AUTHORITY SHALL REVIEW THE FORM AND EITHER ISSUE A WRITTEN CERTIFICATION THAT
15 THE COMPUTER DATA CENTER QUALIFIES FOR THE TAX RELIEF OR PROVIDE WRITTEN
16 REASONS FOR ITS DENIAL. FAILURE TO APPROVE OR DENY THE FORM WITHIN SIXTY
17 DAYS AFTER THE DATE THE OWNER OR OPERATOR SUBMITS THE FORM TO THE AUTHORITY
18 CONSTITUTES CERTIFICATION OF THE COMPUTER DATA CENTER, AND THE AUTHORITY
19 SHALL ISSUE WRITTEN CERTIFICATION TO THE OWNER OR OPERATOR WITHIN FOURTEEN
20 DAYS. THE AUTHORITY SHALL SEND A COPY OF THE CERTIFICATION TO THE DEPARTMENT
21 OF REVENUE. THE AUTHORITY SHALL NOT CERTIFY ANY NEW COMPUTER DATA CENTER
22 AFTER DECEMBER 31, 2023.

23 D. AN OWNER OR OPERATOR MAY SEPARATE A FACILITY INTO ONE OR MORE
24 COMPUTER DATA CENTERS, WHICH MAY EACH RECEIVE A SEPARATE CERTIFICATION IF
25 EACH COMPUTER DATA CENTER INDIVIDUALLY MEETS THE REQUIREMENTS PRESCRIBED IN
26 SUBSECTION E OF THIS SECTION. A PORTION OF A FACILITY OR AN ARTICLE OF
27 COMPUTER DATA EQUIPMENT SHALL NOT BE DEEMED TO BE A PART OF MORE THAN ONE
28 COMPUTER DATA CENTER. THE OWNER OR OPERATOR MAY AGGREGATE ONE OR MORE OF THE
29 PARCELS, BUILDINGS, CONDOMINIUMS OR MODULAR DATA CENTERS IN A FACILITY INTO A
30 SINGLE COMPUTER DATA CENTER IF, IN THE AGGREGATE, THE PARCELS, BUILDINGS,
31 CONDOMINIUMS AND MODULAR DATA CENTERS MEET THE REQUIREMENTS OF SUBSECTION E
32 OF THIS SECTION.

33 E. A COMPUTER DATA CENTER MUST MEET ONE OF THE FOLLOWING REQUIREMENTS
34 AFTER TAKING INTO ACCOUNT THE COMBINED INVESTMENTS MADE BY THE OWNER,
35 OPERATOR OR QUALIFIED COLOCATION TENANTS OF A COMPUTER DATA CENTER:

36 1. ON OR BEFORE THE FIFTH ANNIVERSARY OF CERTIFICATION, THE COMPUTER
37 DATA CENTER CREATES A MINIMUM INVESTMENT OF AT LEAST:

38 (a) TWENTY-FIVE MILLION DOLLARS OF NEW INVESTMENT, INCLUDING COSTS OF
39 LAND, BUILDINGS, MODULAR DATA CENTERS AND COMPUTER DATA CENTER EQUIPMENT, IF
40 THE COMPUTER DATA CENTER IS LOCATED IN A COUNTY WITH A POPULATION OF EIGHT
41 HUNDRED THOUSAND OR LESS PERSONS.

42 (b) FIFTY MILLION DOLLARS OF NEW INVESTMENT, INCLUDING COSTS OF LAND,
43 BUILDINGS, MODULAR DATA CENTERS AND COMPUTER DATA CENTER EQUIPMENT, IF THE
44 COMPUTER DATA CENTER IS LOCATED IN A COUNTY WITH A POPULATION OF MORE THAN
45 EIGHT HUNDRED THOUSAND PERSONS.

1 2. DURING THE SEVENTY-TWO MONTHS IMMEDIATELY BEFORE SEPTEMBER 1, 2013,
2 THE COMPUTER DATA CENTER CREATED AN INVESTMENT OF AT LEAST TWO HUNDRED FIFTY
3 MILLION DOLLARS, INCLUDING COSTS OF LAND, BUILDINGS, MODULAR DATA CENTERS AND
4 COMPUTER DATA CENTER EQUIPMENT.

5 F. ON OR BEFORE THE FIFTH ANNIVERSARY OF THE CERTIFICATION OF A NEW
6 COMPUTER DATA CENTER, THE OWNER OR OPERATOR SHALL NOTIFY THE AUTHORITY IN
7 WRITING THAT THE COMPUTER DATA CENTER FOR WHICH THE CERTIFICATION IS
8 REQUESTED HAS OR HAS NOT SATISFIED THE REQUIREMENTS PRESCRIBED IN SUBSECTION
9 E, PARAGRAPH 1 OF THIS SECTION. UNTIL A NEW COMPUTER DATA CENTER SATISFIES
10 THE REQUIREMENTS PRESCRIBED IN SUBSECTION E, PARAGRAPH 1 OF THIS SECTION, THE
11 OWNER OR OPERATOR SHALL KEEP DETAILED RECORDS OF ALL INVESTMENT CREATED BY
12 THE NEW COMPUTER DATA CENTER, INCLUDING COSTS OF LAND, BUILDINGS, MODULAR
13 DATA CENTERS AND COMPUTER DATA CENTER EQUIPMENT, AND ALL TAX RELIEF DIRECTLY
14 RECEIVED BY THE OWNER OR OPERATOR. THIS SUBSECTION AND SUBSECTION G OF THIS
15 SECTION DO NOT APPLY TO AN EXISTING COMPUTER DATA CENTER.

16 G. IF THE DEPARTMENT OF REVENUE DETERMINES THAT THE REQUIREMENTS OF
17 SUBSECTION E, PARAGRAPH 1 OF THIS SECTION HAVE NOT BEEN SATISFIED OR THAT
18 THERE HAS BEEN A VIOLATION OF SUBSECTION L OF THIS SECTION, THE DEPARTMENT
19 MAY REVOKE THE CERTIFICATION OF A NEW COMPUTER DATA CENTER AND THE OWNER OR
20 OPERATOR MAY APPEAL THE REVOCATION PURSUANT TO TITLE 42, CHAPTER 1,
21 ARTICLE 6. IF CERTIFICATION IS REVOKED PURSUANT TO THIS SUBSECTION, THE
22 QUALIFICATION PERIOD OF ANY OWNER, OPERATOR OR QUALIFIED COLOCATION TENANT OF
23 THE NEW COMPUTER DATA CENTER EXPIRES AND THE DEPARTMENT MAY RECAPTURE FROM
24 THE OWNER OR OPERATOR ALL OR PART OF THE TAX RELIEF PROVIDED DIRECTLY TO THE
25 OWNER OR OPERATOR. THE DEPARTMENT MAY GIVE SPECIAL CONSIDERATION OR ALLOW A
26 TEMPORARY EXEMPTION FROM RECAPTURE OF THE TAX RELIEF IF THERE IS
27 EXTRAORDINARY HARDSHIP DUE TO FACTORS BEYOND THE CONTROL OF THE OWNER OR
28 OPERATOR. THE DEPARTMENT MAY REQUIRE THE OWNER OR OPERATOR TO FILE
29 APPROPRIATE AMENDED TAX RETURNS TO REFLECT ANY RECAPTURE OF THE TAX RELIEF.

30 H. THE AUTHORITY AND THE DEPARTMENT OF REVENUE SHALL ADOPT RULES AND
31 PRESCRIBE FORMS AND PROCEDURES AS NECESSARY FOR THE PURPOSES OF THIS SECTION.
32 THE AUTHORITY AND THE DEPARTMENT SHALL COLLABORATE IN ADOPTING RULES AS
33 NECESSARY TO AVOID DUPLICATION AND INCONSISTENCIES WHILE ACCOMPLISHING THE
34 PURPOSES OF THIS SECTION.

35 I. PROPRIETARY BUSINESS INFORMATION CONTAINED IN THE FORM DESCRIBED IN
36 SUBSECTION B OF THIS SECTION AND THE WRITTEN NOTICE DESCRIBED IN SUBSECTION F
37 OF THIS SECTION ARE CONFIDENTIAL AND SHALL NOT BE DISCLOSED TO THE PUBLIC
38 EXCEPT THAT THE INFORMATION SHALL BE TRANSMITTED TO THE DEPARTMENT OF
39 REVENUE. THE AUTHORITY OR THE DEPARTMENT MAY DISCLOSE THE NAME OF A COMPUTER
40 DATA CENTER THAT HAS BEEN CERTIFIED PURSUANT TO THIS SECTION.

41 J. THE OWNER OR OPERATOR SHALL PROVIDE THE AUTHORITY AND THE
42 DEPARTMENT OF REVENUE WITH A LIST OF QUALIFIED COLOCATION TENANTS, INCLUDING
43 THE COMMENCEMENT AND EXPIRATION DATES OF EACH QUALIFIED COLOCATION TENANT'S
44 AGREEMENT TO USE OR OCCUPY ALL OR PART OF THE COMPUTER DATA CENTER, AND SHALL

1 NOTIFY THE AUTHORITY AND THE DEPARTMENT WITHIN THIRTY DAYS AFTER ANY CHANGES
2 TO THE LIST.

3 K. EXCEPT AS PROVIDED IN SUBSECTION G OF THIS SECTION, ON
4 CERTIFICATION, THE COMPUTER DATA CENTER REMAINS CERTIFIED REGARDLESS OF A
5 FUTURE TRANSFER, SALE OR DISPOSITION, DIRECTLY OR INDIRECTLY, OF THE COMPUTER
6 DATA CENTER.

7 L. THIS SECTION DOES NOT ALLOW A COMPUTER DATA CENTER TO DO EITHER OF
8 THE FOLLOWING:

9 1. GENERATE ELECTRICITY FOR RESALE PURPOSES.

10 2. GENERATE, PROVIDE OR SELL ELECTRICITY OUTSIDE OF THE COMPUTER DATA
11 CENTER.

12 M. THE OWNER OR OPERATOR MAY INCLUDE SINGLE ENTITIES OR AFFILIATED
13 ENTITIES.

14 N. FOR THE PURPOSES OF THIS SECTION:

15 1. "COMPUTER DATA CENTER" MEANS ALL OR PART OF A FACILITY THAT MAY BE
16 COMPOSED OF MULTIPLE BUSINESSES OR OWNERS, THAT IS OR WILL BE PREDOMINANTLY
17 USED TO HOUSE WORKING SERVERS AND THAT MAY HAVE UNINTERRUPTIBLE ENERGY SUPPLY
18 OR GENERATOR BACKUP POWER, OR BOTH, COOLING SYSTEMS, TOWERS AND OTHER
19 TEMPERATURE CONTROL INFRASTRUCTURE.

20 2. "COMPUTER DATA CENTER EQUIPMENT" MEANS EQUIPMENT THAT IS USED TO
21 OUTFIT, OPERATE OR BENEFIT A COMPUTER DATA CENTER AND COMPONENT PARTS,
22 INSTALLATIONS, REFRESHMENTS, REPLACEMENTS AND UPGRADES TO THIS EQUIPMENT,
23 WHETHER ANY OF THE PROPERTY IS AFFIXED TO OR INCORPORATED INTO REAL PROPERTY,
24 INCLUDING:

25 (a) ALL EQUIPMENT NECESSARY FOR THE TRANSFORMATION, GENERATION,
26 DISTRIBUTION OR MANAGEMENT OF ELECTRICITY THAT IS REQUIRED TO OPERATE
27 COMPUTER SERVER EQUIPMENT, INCLUDING GENERATORS, UNINTERRUPTIBLE ENERGY,
28 SUPPLIES, CONDUIT, GASEOUS FUEL PIPING, CABLING, DUCT BANKS, SWITCHES,
29 SWITCHBOARDS, BATTERIES AND TESTING EQUIPMENT.

30 (b) ALL EQUIPMENT NECESSARY TO COOL AND MAINTAIN A CONTROLLED
31 ENVIRONMENT FOR THE OPERATION OF THE COMPUTER SERVER AND OTHER COMPONENTS OF
32 THE COMPUTER DATA CENTER, INCLUDING MECHANICAL EQUIPMENT, REFRIGERANT PIPING,
33 GASEOUS FUEL PIPING, ADIABATIC AND FREE COOLING SYSTEMS, COOLING TOWERS,
34 WATER SOFTENERS, AIR HANDLING UNITS, INDOOR DIRECT EXCHANGE UNITS, FANS,
35 DUCTING AND FILTERS.

36 (c) ALL WATER CONSERVATION SYSTEMS, INCLUDING FACILITIES OR MECHANISMS
37 THAT ARE DESIGNED TO COLLECT, CONSERVE AND REUSE WATER.

38 (d) ALL ENABLING SOFTWARE, COMPUTER SERVER EQUIPMENT, CHASSIS,
39 NETWORKING EQUIPMENT, SWITCHES, RACKS, CABLING, TRAYS AND CONDUIT.

40 (e) ALL MONITORING EQUIPMENT AND SECURITY SYSTEMS.

41 (f) MODULAR DATA CENTERS AND PREASSEMBLED COMPONENTS OF ANY ITEM
42 DESCRIBED IN THIS PARAGRAPH, INCLUDING COMPONENTS USED IN THE MANUFACTURING
43 OF MODULAR DATA CENTERS.

44 (g) OTHER TANGIBLE PERSONAL PROPERTY THAT IS ESSENTIAL TO THE
45 OPERATIONS OF A COMPUTER DATA CENTER.

1 3. "EXISTING COMPUTER DATA CENTER" MEANS A COMPUTER DATA CENTER THAT
2 IS CERTIFIED UNDER SUBSECTION E, PARAGRAPH 2 OF THIS SECTION.

3 4. "FACILITY" MEANS ONE OR MORE PARCELS OF LAND IN THIS STATE AND ANY
4 STRUCTURES AND PERSONAL PROPERTY CONTAINED ON THE LAND.

5 5. "MODULAR DATA CENTER" MEANS A PORTABLE SYSTEM OF INFORMATION
6 TECHNOLOGY, CLIMATE CONTROL, ENERGY SUPPLY AND ENERGY DISTRIBUTION MACHINERY,
7 EQUIPMENT AND RELATED TANGIBLE PERSONAL PROPERTY CONTAINED IN AN INTERMODAL
8 FREIGHT CONTAINER OR SIMILAR STRUCTURE.

9 6. "NEW COMPUTER DATA CENTER" MEANS A COMPUTER DATA CENTER THAT IS
10 CERTIFIED UNDER SUBSECTION E, PARAGRAPH 1 OF THIS SECTION.

11 7. "QUALIFICATION PERIOD" MEANS:

12 (a) WITH RESPECT TO THE OWNER OR OPERATOR OF A COMPUTER DATA CENTER, A
13 PERIOD OF TIME BEGINNING ON THE DATE OF CERTIFICATION OF THE COMPUTER DATA
14 CENTER AND EXPIRING AT THE END OF THE TENTH FULL CALENDAR YEAR FOLLOWING THE
15 CALENDAR YEAR IN WHICH THE OWNER OR OPERATOR FILED THE FORM FOR
16 CERTIFICATION, EXCEPT, IF A COMPUTER DATA CENTER IS A SUSTAINABLE
17 REDEVELOPMENT PROJECT, QUALIFICATION PERIOD MEANS A PERIOD OF TIME BEGINNING
18 ON THE DATE OF CERTIFICATION OF THE COMPUTER DATA CENTER AND EXPIRING AT THE
19 END OF THE TWENTIETH FULL CALENDAR YEAR FOLLOWING THE CALENDAR YEAR IN WHICH
20 THE OWNER OR OPERATOR FILED THE FORM FOR CERTIFICATION.

21 (b) WITH RESPECT TO THE QUALIFIED COLOCATION TENANT OF THE OWNER OR
22 OPERATOR OF A COMPUTER DATA CENTER CERTIFIED UNDER THIS SECTION, A PERIOD OF
23 TIME BEGINNING ON THE DATE THAT THE QUALIFIED COLOCATION TENANT ENTERS INTO
24 AN AGREEMENT CONCERNING THE USE OR OCCUPANCY OF THE COMPUTER DATA CENTER AND
25 EXPIRING AT THE EARLIER OF THE EXPIRATION OF THE TERM OF THIS AGREEMENT OR
26 THE TENTH FULL CALENDAR YEAR FOLLOWING THE CALENDAR YEAR IN WHICH THE
27 QUALIFIED COLOCATION TENANT ENTERS INTO THIS AGREEMENT, EXCEPT, IF A COMPUTER
28 DATA CENTER IS A SUSTAINABLE REDEVELOPMENT PROJECT, QUALIFICATION PERIOD
29 MEANS A PERIOD OF TIME BEGINNING ON THE DATE THAT THE QUALIFIED COLOCATION
30 TENANT ENTERS INTO AN AGREEMENT CONCERNING THE USE OR OCCUPANCY OF THE
31 COMPUTER DATA CENTER AND EXPIRING AT THE EARLIER OF THE EXPIRATION OF THE
32 TERM OF THIS AGREEMENT OR THE TWENTIETH FULL CALENDAR YEAR FOLLOWING THE
33 CALENDAR YEAR IN WHICH THE TENANT ENTERS INTO THIS AGREEMENT.

34 8. "QUALIFIED COLOCATION TENANT" MEANS AN ENTITY THAT CONTRACTS WITH
35 THE OWNER OR OPERATOR OF A COMPUTER DATA CENTER THAT IS CERTIFIED PURSUANT TO
36 THIS SECTION TO USE OR OCCUPY ALL OR PART OF THE COMPUTER DATA CENTER FOR AT
37 LEAST FIVE HUNDRED KILOWATTS PER MONTH FOR A PERIOD OF TWO OR MORE YEARS.

38 9. "SUSTAINABLE REDEVELOPMENT PROJECT" MEANS A COMPUTER DATA CENTER
39 THAT SATISFIES THE REQUIREMENTS IN SUBSECTION E OF THIS SECTION AND THAT
40 OCCUPIES OR WILL OCCUPY THE STRUCTURAL IMPROVEMENTS AT AN EXISTING FACILITY
41 THAT EITHER:

42 (a) WAS AT LEAST FIFTY PER CENT VACANT FOR SIX OF THE TWELVE MONTHS
43 BEFORE THE ACQUISITION BY PURCHASE OR LEASE OF OR WITH RESPECT TO THE
44 FACILITY.

1 (b) ATTAINS CERTIFICATION UNDER THE ENERGY STAR OR GREEN GLOBES
2 STANDARD, THE LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN GREEN BUILDING
3 RATING STANDARD DEVELOPED BY THE UNITED STATES GREEN BUILDING COUNCIL OR AN
4 EQUIVALENT GREEN BUILDING STANDARD AND WAS NOT PREVIOUSLY CERTIFIED UNDER
5 THESE STANDARDS.

6 10. "TAX RELIEF" MEANS THE DEDUCTION OF THE GROSS PROCEEDS OF SALE OR
7 GROSS INCOME FROM THE SALE OF QUALIFIED EQUIPMENT AS PRESCRIBED BY SECTION
8 42-5061, 42-5159 OR 42-6004 THAT IS INSTALLED IN A COMPUTER DATA CENTER.

9 Sec. 3. Section 42-2003, Arizona Revised Statutes, is amended to read:

10 42-2003. Authorized disclosure of confidential information

11 A. Confidential information relating to:

12 1. A taxpayer may be disclosed to the taxpayer, its successor in
13 interest or a designee of the taxpayer who is authorized in writing by the
14 taxpayer. A principal corporate officer of a parent corporation may execute
15 a written authorization for a controlled subsidiary.

16 2. A corporate taxpayer may be disclosed to any principal officer, any
17 person designated by a principal officer or any person designated in a
18 resolution by the corporate board of directors or other similar governing
19 body.

20 3. A partnership may be disclosed to any partner of the partnership.
21 This exception does not include disclosure of confidential information of a
22 particular partner unless otherwise authorized.

23 4. An estate may be disclosed to the personal representative of the
24 estate and to any heir, next of kin or beneficiary under the will of the
25 decedent if the department finds that the heir, next of kin or beneficiary
26 has a material interest which will be affected by the confidential
27 information.

28 5. A trust may be disclosed to the trustee or trustees, jointly or
29 separately, and to the grantor or any beneficiary of the trust if the
30 department finds that the grantor or beneficiary has a material interest that
31 will be affected by the confidential information.

32 6. Any taxpayer may be disclosed if the taxpayer has waived any rights
33 to confidentiality either in writing or on the record in any administrative
34 or judicial proceeding.

35 7. The name and taxpayer identification numbers of persons issued
36 direct payment permits may be publicly disclosed.

37 B. Confidential information may be disclosed to:

38 1. Any employee of the department whose official duties involve tax
39 administration.

40 2. The office of the attorney general solely for its use in
41 preparation for, or in an investigation that may result in, any proceeding
42 involving tax administration before the department or any other agency or
43 board of this state, or before any grand jury or any state or federal court.

44 3. The department of liquor licenses and control for its use in
45 determining whether a spirituous liquor licensee has paid all transaction

1 privilege taxes and affiliated excise taxes incurred as a result of the sale
2 of spirituous liquor, as defined in section 4-101, at the licensed
3 establishment and imposed on the licensed establishments by this state and
4 its political subdivisions.

5 4. Other state tax officials whose official duties require the
6 disclosure for proper tax administration purposes if the information is
7 sought in connection with an investigation or any other proceeding conducted
8 by the official. Any disclosure is limited to information of a taxpayer who
9 is being investigated or who is a party to a proceeding conducted by the
10 official.

11 5. The following agencies, officials and organizations, if they grant
12 substantially similar privileges to the department for the type of
13 information being sought, pursuant to statute and a written agreement between
14 the department and the foreign country, agency, state, Indian tribe or
15 organization:

16 (a) The United States internal revenue service, alcohol and tobacco
17 tax and trade bureau of the United States treasury, United States bureau of
18 alcohol, tobacco, firearms and explosives of the United States department of
19 justice, United States drug enforcement agency and federal bureau of
20 investigation.

21 (b) A state tax official of another state.

22 (c) An organization of states, federation of tax administrators or
23 multistate tax commission that operates an information exchange for tax
24 administration purposes.

25 (d) An agency, official or organization of a foreign country with
26 responsibilities that are comparable to those listed in subdivision (a), (b)
27 or (c) of this paragraph.

28 (e) An agency, official or organization of an Indian tribal government
29 with responsibilities comparable to the responsibilities of the agencies,
30 officials or organizations identified in subdivision (a), (b) or (c) of this
31 paragraph.

32 6. The auditor general, in connection with any audit of the department
33 subject to the restrictions in section 42-2002, subsection D.

34 7. Any person to the extent necessary for effective tax administration
35 in connection with:

36 (a) The processing, storage, transmission, destruction and
37 reproduction of the information.

38 (b) The programming, maintenance, repair, testing and procurement of
39 equipment for purposes of tax administration.

40 (c) The collection of the taxpayer's civil liability.

41 8. The office of administrative hearings relating to taxes
42 administered by the department pursuant to section 42-1101, but the
43 department shall not disclose any confidential information:

44 (a) Regarding income tax or withholding tax.

1 (b) On any tax issue relating to information associated with the
2 reporting of income tax or withholding tax.

3 9. The United States treasury inspector general for tax administration
4 for the purpose of reporting a violation of internal revenue code section
5 7213A (26 United States Code section 7213A), unauthorized inspection of
6 returns or return information.

7 10. The financial management service of the United States treasury
8 department for use in the treasury offset program.

9 11. The United States treasury department or its authorized agent for
10 use in the state income tax levy program and in the electronic federal tax
11 payment system.

12 12. The Arizona commerce authority for its use in:

13 (a) Qualifying renewable energy operations for the tax incentives
14 under sections 42-12006, 43-1083.01 and 43-1164.01.

15 (b) Qualifying businesses with a qualified facility for income tax
16 credits under sections 43-1083.03 and 43-1164.04.

17 (c) Fulfilling its annual reporting responsibility pursuant to section
18 41-1511, subsections U and V and section 41-1512, subsections U and V.

19 (d) CERTIFYING COMPUTER DATA CENTERS FOR TAX RELIEF UNDER SECTION
20 41-1519.

21 13. A prosecutor for purposes of section 32-1164, subsection C.

22 14. The state fire marshal for use in determining compliance with and
23 enforcing title 41, chapter 16, article 3.1.

24 15. The department of transportation for its use in administering taxes
25 and surcharges prescribed by title 28.

26 C. Confidential information may be disclosed in any state or federal
27 judicial or administrative proceeding pertaining to tax administration
28 pursuant to the following conditions:

29 1. One or more of the following circumstances must apply:

30 (a) The taxpayer is a party to the proceeding.

31 (b) The proceeding arose out of, or in connection with, determining
32 the taxpayer's civil or criminal liability, or the collection of the
33 taxpayer's civil liability, with respect to any tax imposed under this title
34 or title 43.

35 (c) The treatment of an item reflected on the taxpayer's return is
36 directly related to the resolution of an issue in the proceeding.

37 (d) Return information directly relates to a transactional
38 relationship between a person who is a party to the proceeding and the
39 taxpayer and directly affects the resolution of an issue in the proceeding.

40 2. Confidential information may not be disclosed under this subsection
41 if the disclosure is prohibited by section 42-2002, subsection C or D.

42 D. Identity information may be disclosed for purposes of notifying
43 persons entitled to tax refunds if the department is unable to locate the
44 persons after reasonable effort.

1 E. The department, on the request of any person, shall provide the
2 names and addresses of bingo licensees as defined in section 5-401, verify
3 whether or not a person has a privilege license and number, a distributor's
4 license and number or a withholding license and number or disclose the
5 information to be posted on the department's website or otherwise publicly
6 accessible pursuant to section 42-1124, subsection F and section 42-3201,
7 subsection A.

8 F. A department employee, in connection with the official duties
9 relating to any audit, collection activity or civil or criminal
10 investigation, may disclose return information to the extent that disclosure
11 is necessary to obtain information that is not otherwise reasonably
12 available. These official duties include the correct determination of and
13 liability for tax, the amount to be collected or the enforcement of other
14 state tax revenue laws.

15 G. If an organization is exempt from this state's income tax as
16 provided in section 43-1201 for any taxable year, the name and address of the
17 organization and the application filed by the organization on which the
18 department made its determination for exemption together with any papers
19 submitted in support of the application and any letter or document issued by
20 the department concerning the application are open to public inspection.

21 H. Confidential information relating to transaction privilege tax, use
22 tax, severance tax, jet fuel excise and use tax and ~~and~~ any other tax
23 collected by the department on behalf of the county may be disclosed to any
24 county, city or town tax official if the information relates to a taxpayer
25 who is or may be taxable by the county, city or town. Any taxpayer
26 information released by the department to the county, city or town:

27 1. May only be used for internal purposes.

28 2. May not be disclosed to the public in any manner that does not
29 comply with confidentiality standards established by the department. The
30 county, city or town shall agree in writing with the department that any
31 release of confidential information that violates the confidentiality
32 standards adopted by the department will result in the immediate suspension
33 of any rights of the county, city or town to receive taxpayer information
34 under this subsection.

35 I. The department may disclose statistical information gathered from
36 confidential information if it does not disclose confidential information
37 attributable to any one taxpayer. The department may disclose statistical
38 information gathered from confidential information, even if it discloses
39 confidential information attributable to a taxpayer, to:

40 1. The state treasurer in order to comply with the requirements of
41 section 42-5029, subsection A, paragraph 3.

42 2. The joint legislative income tax credit review committee and the
43 joint legislative budget committee staff in order to comply with the
44 requirements of section 43-221.

1 J. The department may disclose the aggregate amounts of any tax
2 credit, tax deduction or tax exemption enacted after January 1, 1994.
3 Information subject to disclosure under this subsection shall not be
4 disclosed if a taxpayer demonstrates to the department that such information
5 would give an unfair advantage to competitors.

6 K. Except as provided in section 42-2002, subsection C, confidential
7 information, described in section 42-2001, paragraph 1, subdivision (a), item
8 (ii), may be disclosed to law enforcement agencies for law enforcement
9 purposes.

10 L. The department may provide transaction privilege tax license
11 information to property tax officials in a county for the purpose of
12 identification and verification of the tax status of commercial property.

13 M. The department may provide transaction privilege tax, luxury tax,
14 use tax, property tax and severance tax information to the ombudsman-citizens
15 aide pursuant to title 41, chapter 8, article 5.

16 N. Except as provided in section 42-2002, subsection D, a court may
17 order the department to disclose confidential information pertaining to a
18 party to an action. An order shall be made only upon a showing of good cause
19 and that the party seeking the information has made demand upon the taxpayer
20 for the information.

21 O. This section does not prohibit the disclosure by the department of
22 any information or documents submitted to the department by a bingo licensee.
23 Before disclosing the information the department shall obtain the name and
24 address of the person requesting the information.

25 P. If the department is required or permitted to disclose confidential
26 information, it may charge the person or agency requesting the information
27 for the reasonable cost of its services.

28 Q. Except as provided in section 42-2002, subsection D, the department
29 of revenue shall release confidential information as requested by the
30 department of economic security pursuant to section 42-1122 or 46-291.
31 Information disclosed under this subsection is limited to the same type of
32 information that the United States internal revenue service is authorized to
33 disclose under section 6103(1)(6) of the internal revenue code.

34 R. Except as provided in section 42-2002, subsection D, the department
35 of revenue shall release confidential information as requested by the courts
36 and clerks of the court pursuant to section 42-1122.

37 S. To comply with the requirements of section 42-5031, the department
38 may disclose to the state treasurer, to the county stadium district board of
39 directors and to any city or town tax official that is part of the county
40 stadium district confidential information attributable to a taxpayer's
41 business activity conducted in the county stadium district.

42 T. The department shall release confidential information as requested
43 by the attorney general for purposes of determining compliance with and
44 enforcing section 44-7101, the master settlement agreement referred to
45 therein and subsequent agreements to which the state is a party that amend or

1 implement the master settlement agreement. Information disclosed under this
2 subsection is limited to luxury tax information relating to tobacco
3 manufacturers, distributors, wholesalers and retailers and information
4 collected by the department pursuant to section 44-7101(2)(j).

5 U. For proceedings before the department, the office of administrative
6 hearings, the board of tax appeals or any state or federal court involving
7 penalties that were assessed against a return preparer, an electronic return
8 preparer or a payroll service company pursuant to section 42-1103.02,
9 42-1125.01 or 43-419, confidential information may be disclosed only before
10 the judge or administrative law judge adjudicating the proceeding, the
11 parties to the proceeding and the parties' representatives in the proceeding
12 prior to its introduction into evidence in the proceeding. The confidential
13 information may be introduced as evidence in the proceeding only if the
14 taxpayer's name, the names of any dependents listed on the return, all social
15 security numbers, the taxpayer's address, the taxpayer's signature and any
16 attachments containing any of the foregoing information are redacted and if
17 either:

18 1. The treatment of an item reflected on such return is or may be
19 related to the resolution of an issue in the proceeding.

20 2. Such return or return information relates or may relate to a
21 transactional relationship between a person who is a party to the proceeding
22 and the taxpayer which directly affects the resolution of an issue in the
23 proceeding.

24 3. The method of payment of the taxpayer's withholding tax liability
25 or the method of filing the taxpayer's withholding tax return is an issue for
26 the period.

27 V. The department may disclose to the attorney general confidential
28 information received under section 44-7111 and requested by the attorney
29 general for purposes of determining compliance with and enforcing section
30 44-7111. The department and attorney general shall share with each other the
31 information received under section 44-7111, and may share the information
32 with other federal, state or local agencies only for the purposes of
33 enforcement of section 36-798.06, 44-7101, ~~OR~~ 44-7111 or corresponding laws
34 of other states.

35 W. The department may provide the name and address of qualifying
36 hospitals and qualifying health care organizations, as defined in section
37 42-5001, to a business classified and reporting transaction privilege tax
38 under the utilities classification.

39 X. The department may disclose to the attorney general confidential
40 information requested by the attorney general for the purposes of determining
41 compliance with and enforcing section 36-798.06.

42 Y. The department may disclose to an official of any city, town or
43 county in a current agreement or considering a prospective agreement with the
44 department as described in section 42-5032.02, subsection F any information

1 relating to amounts subject to distribution required by section 42-5032.02.
2 Information disclosed by the department under this subsection:

- 3 1. May only be used by the city, town or county for internal purposes.
- 4 2. May not be disclosed to the public in any manner that does not
5 comply with confidentiality standards established by the department. The
6 city, town or county must agree with the department in writing that any
7 release of confidential information that violates the confidentiality
8 standards will result in the immediate suspension of any rights of the city,
9 town or county to receive information under this subsection.

10 Sec. 4. Section 42-5031.01, Arizona Revised Statutes, is amended to
11 read:

12 42-5031.01. Distribution of revenues for Indian tribal
13 postsecondary educational institutions;
14 definition

15 A. Subject to subsection C of this section, each month the state
16 treasurer shall transmit to the treasurer or other designated depository of
17 each qualifying Indian tribe the amount of transaction privilege tax revenues
18 received pursuant to this article in the preceding month from all sources
19 located on the Indian reservation established for the qualifying Indian tribe
20 as determined pursuant to section 42-5029, subsection A, paragraph 3.

21 B. The monies distributed pursuant to this section are for the
22 exclusive purpose of supporting the maintenance, renewal and capital expenses
23 of one or more community ~~colleges~~ COLLEGE CAMPUSES in this state that are
24 owned, operated or chartered by each qualifying Indian tribe on its own
25 Indian reservation. Before receiving any monies under this section, a
26 qualifying Indian tribe shall enter into an initial compact with this state
27 on or before September 1, 2012, signed by the governor, to account for the
28 use of monies distributed pursuant to this section. The compact shall:

29 1. Be for a term of at least ten years. After a hearing and review of
30 the compact by the joint legislative budget committee held during the last
31 year of the compact's term, a compact may be renewed for an additional term
32 of up to ten years.

33 2. Require the monies to be used primarily for capital needs including
34 maintenance and renewal of existing facilities at designated community
35 college campuses on the qualifying Indian tribe's own reservation in this
36 state.

37 3. Provide for audits by the auditor general of the use of the
38 monies. The auditor general shall submit copies of each audit to the joint
39 legislative budget committee.

40 4. If necessary, provide for reimbursement to the department of
41 revenue of costs associated with implementing this section, not to exceed one
42 hundred fifty thousand dollars, from revenues that would otherwise be paid to
43 the qualifying Indian tribe pursuant to this section.

1 C. Notwithstanding subsection A of this section, the state treasurer
2 shall not transmit in any fiscal year more than THE SUM OF THE FOLLOWING
3 AMOUNTS:

4 1. WITH RESPECT TO A SINGLE COMMUNITY COLLEGE, one million seven
5 hundred fifty thousand dollars or more than ~~one-tenth~~ TEN PER CENT of
6 transaction privilege tax revenues received pursuant to this article from all
7 sources located on the reservation, whichever is less.

8 2. WITH RESPECT TO AN ADDITIONAL TECHNICAL COLLEGE LOCATED ON THE SAME
9 INDIAN RESERVATION, EIGHT HUNDRED SEVENTY-FIVE THOUSAND DOLLARS OR MORE THAN
10 FIVE PER CENT OF TRANSACTION PRIVILEGE TAX REVENUES RECEIVED PURSUANT TO THIS
11 ARTICLE FROM ALL SOURCES LOCATED ON THE RESERVATION, WHICHEVER IS LESS.

12 D. For the purposes of this section, "qualifying Indian tribe" means
13 an Indian tribe that owns, operates and charters any community college or
14 postsecondary educational institution located on its own reservation in this
15 state.

16 Sec. 5. Section 42-5061, Arizona Revised Statutes, is amended to read:
17 42-5061. Retail classification; definitions

18 A. The retail classification is comprised of the business of selling
19 tangible personal property at retail. The tax base for the retail
20 classification is the gross proceeds of sales or gross income derived from
21 the business. The tax imposed on the retail classification does not apply to
22 the gross proceeds of sales or gross income from:

23 1. Professional or personal service occupations or businesses that
24 involve sales or transfers of tangible personal property only as
25 inconsequential elements.

26 2. Services rendered in addition to selling tangible personal property
27 at retail.

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

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

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

38 6. Business activity that is properly included in any other business
39 classification that is taxable under this article.

40 7. The sale of stocks and bonds.

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

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

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

5 11. Prescription eyeglasses or contact lenses.

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

7 13. Durable medical equipment which has a centers for medicare and
8 medicaid services common procedure code, is designated reimbursable by
9 medicare, is prescribed by a person who is licensed under title 32, chapter
10 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is primarily and
11 customarily used to serve a medical purpose, is generally not useful to a
12 person in the absence of illness or injury and is appropriate for use in the
13 home.

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

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

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

24 17. Textbooks by any bookstore that are required by any state
25 university or community college.

26 18. Food and drink to a person who is engaged in business that is
27 classified under the restaurant classification and that provides such food
28 and drink without monetary charge to its employees for their own consumption
29 on the premises during the employees' hours of employment.

30 19. Articles of food, drink or condiment and accessory tangible
31 personal property to a school district or charter school if such articles and
32 accessory tangible personal property are to be prepared and served to persons
33 for consumption on the premises of a public school within the district or on
34 the premises of the charter school during school hours.

35 20. Lottery tickets or shares pursuant to title 5, chapter 5.1,
36 article 1.

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

41 (a) "Monetized bullion" means coins and other forms of money that are
42 manufactured from gold, silver or other metals and that have been or are used
43 as a medium of exchange in this or another state, the United States or a
44 foreign nation.

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

4 22. Motor vehicle fuel and use fuel that are subject to a tax imposed
5 under title 28, chapter 16, article 1, sales of use fuel to a holder of a
6 valid single trip use fuel tax permit issued under section 28-5739, sales of
7 aviation fuel that are subject to the tax imposed under section 28-8344 and
8 sales of jet fuel that are subject to the tax imposed under article 8 of this
9 chapter.

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

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

16 25. Tangible personal property sold to:

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

18 (b) A qualifying health care organization as defined in section
19 42-5001 if the tangible personal property is used by the organization solely
20 to provide health and medical related educational and charitable services.

21 (c) A qualifying health care organization as defined in section
22 42-5001 if the organization is dedicated to providing educational,
23 therapeutic, rehabilitative and family medical education training for blind,
24 visually impaired and multihandicapped children from the time of birth to age
25 twenty-one.

26 (d) A qualifying community health center as defined in section
27 42-5001.

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

31 (f) 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 26. Magazines or other periodicals or other publications by this state
40 to encourage tourist travel.

41 27. Tangible personal property sold to a person that is subject to tax
42 under this article by reason of being engaged in business classified under
43 the prime contracting classification under section 42-5075, or to a
44 subcontractor working under the control of a prime contractor that is subject

1 to tax under article 1 of this chapter, if the property so sold is any of the
2 following:

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

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

7 28. The sale of a motor vehicle to:

8 (a) A nonresident of this state if the purchaser's state of residence
9 does not allow a corresponding use tax exemption to the tax imposed by
10 article 1 of this chapter and if the nonresident has secured a special ninety
11 day nonresident registration permit for the vehicle as prescribed by sections
12 28-2154 and 28-2154.01.

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

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

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

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

32 32. Sales of tangible personal property by a nonprofit organization
33 that is exempt from taxation under section 501(c)(3), 501(c)(4), 501(c)(6),
34 501(c)(7) or 501(c)(8) of the internal revenue code if the organization
35 sponsors or operates a rodeo featuring primarily farm and ranch animals and
36 no part of the organization's net earnings inures to the benefit of any
37 private shareholder or individual.

38 33. Sales of seeds, seedlings, roots, bulbs, cuttings and other
39 propagative material to persons who use those items to commercially produce
40 agricultural, horticultural, viticultural or floricultural crops in this
41 state.

42 34. Machinery, equipment, technology or related supplies that are only
43 useful to assist a person who is physically disabled as defined in section
44 46-191, has a developmental disability as defined in section 36-551 or has a

1 head injury as defined in section 41-3201 to be more independent and
2 functional.

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

6 36. Sales of natural gas or liquefied petroleum gas used to propel a
7 motor vehicle.

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

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

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

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

41 (a) "Personal property liquidation transaction" means a sale of
42 personal property made by a personal property liquidator acting solely on
43 behalf of the owner of the personal property sold at the dwelling of the
44 owner or on the death of any owner, on behalf of the surviving spouse, if

1 any, any devisee or heir or the personal representative of the estate of the
2 deceased, if one has been appointed.

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

5 41. Sales of food, drink and condiment for consumption within the
6 premises of any prison, jail or other institution under the jurisdiction of
7 the state department of corrections, the department of public safety, the
8 department of juvenile corrections or a county sheriff.

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

13 43. Livestock and poultry feed, salts, vitamins and other additives for
14 livestock or poultry consumption that are sold to 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 44. Sales of implants used as growth promotants and injectable
19 medicines, not already exempt under paragraph 8 of this subsection, for
20 livestock or poultry owned by or in possession of persons who are engaged in
21 producing livestock, poultry, or livestock or poultry products or who are
22 engaged in feeding livestock or poultry commercially. For the purposes of
23 this paragraph, "poultry" includes ratites.

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

28 46. Tangible personal property sold to a person engaged in business and
29 subject to tax under the transient lodging classification if the tangible
30 personal property is a personal hygiene item or articles used by human beings
31 for food, drink or condiment, except alcoholic beverages, that are furnished
32 without additional charge to and intended to be consumed by the transient
33 during the transient's occupancy.

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

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

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

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

43 49. Tangible personal property sold to a commercial airline and
44 consisting of food, beverages and condiments and accessories used for serving
45 the food and beverages, if those items are to be provided without additional

1 charge to passengers for consumption in flight. For the purposes of this
2 paragraph, "commercial airline" means a person holding a federal certificate
3 of public convenience and necessity or foreign air carrier permit for air
4 transportation to transport persons, property or United States mail in
5 intrastate, interstate or foreign commerce.

6 50. Sales of alternative fuel vehicles if the vehicle was manufactured
7 as a diesel fuel vehicle and converted to operate on alternative fuel and
8 equipment that is installed in a conventional diesel fuel motor vehicle to
9 convert the vehicle to operate on an alternative fuel, as defined in section
10 1-215.

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

14 52. Sales of tangible personal property to be incorporated or installed
15 as part of environmental response or remediation activities under section
16 42-5075, subsection B, paragraph 6.

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

22 54. Through August 31, 2014, sales of Arizona centennial medallions by
23 the historical advisory commission.

24 55. Application services that are designed to assess or test student
25 learning or to promote curriculum design or enhancement purchased by or for
26 any school district, charter school, community college or state university.
27 For the purposes of this paragraph:

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

30 (b) "Curriculum design or enhancement" means planning, implementing or
31 reporting on courses of study, lessons, assignments or other learning
32 activities.

33 56. Sales of motor vehicle fuel and use fuel to a qualified business
34 under section 41-1516 for off-road use in harvesting, processing or
35 transporting qualifying forest products removed from qualifying projects as
36 defined in section 41-1516.

37 57. Sales of repair parts installed in equipment used directly by a
38 qualified business under section 41-1516 in harvesting, processing or
39 transporting qualifying forest products removed from qualifying projects as
40 defined in section 41-1516.

41 58. Sales or other transfers of renewable energy credits or any other
42 unit created to track energy derived from renewable energy resources. For
43 the purposes of this paragraph, "renewable energy credit" means a unit
44 created administratively by the corporation commission or governing body of a
45 public power utility to track kilowatt hours of electricity derived from a

1 renewable energy resource or the kilowatt hour equivalent of conventional
2 energy resources displaced by distributed renewable energy resources.

3 59. COMPUTER DATA CENTER EQUIPMENT PURCHASED BY THE OWNER, OPERATOR OR
4 QUALIFIED COLOCATION TENANT OF THE COMPUTER DATA CENTER OR AN AUTHORIZED
5 AGENT OF THE OWNER, OPERATOR OR QUALIFIED COLOCATION TENANT DURING THE
6 QUALIFICATION PERIOD FOR USE IN A COMPUTER DATA CENTER THAT IS CERTIFIED BY
7 THE ARIZONA COMMERCE AUTHORITY UNDER SECTION 41-1519. TO QUALIFY FOR THIS
8 DEDUCTION, AT THE TIME OF PURCHASE, THE OWNER, OPERATOR OR QUALIFIED
9 COLOCATION TENANT MUST PRESENT TO THE RETAILER ITS CERTIFICATE THAT IS ISSUED
10 PURSUANT TO SECTION 41-1519 AND THAT ESTABLISHES ITS QUALIFICATION FOR THE
11 DEDUCTION. FOR THE PURPOSES OF THIS PARAGRAPH, "COMPUTER DATA CENTER",
12 "COMPUTER DATA CENTER EQUIPMENT", "QUALIFICATION PERIOD" AND "QUALIFIED
13 COLOCATION TENANT" HAVE THE SAME MEANINGS PRESCRIBED IN SECTION 41-1519.

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

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

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

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

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

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

44 6. Pipes or valves four inches in diameter or larger used to transport
45 oil, natural gas, artificial gas, water or coal slurry, including compressor

1 units, regulators, machinery and equipment, fittings, seals and any other
2 part that is used in operating the pipes or valves.

3 7. Aircraft, navigational and communication instruments and other
4 accessories and related equipment sold to:

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

11 (b) Any foreign government.

12 (c) Persons who are not residents of this state and who will not use
13 such property in this state other than in removing such property from this
14 state. This subdivision also applies to corporations that are not
15 incorporated in this state, regardless of maintaining a place of business in
16 this state, if the principal corporate office is located outside this state
17 and the property will not be used in this state other than in removing the
18 property from this state.

19 8. Machinery, tools, equipment and related supplies used or consumed
20 directly in repairing, remodeling or maintaining aircraft, aircraft engines
21 or aircraft component parts by or on behalf of a certificated or licensed
22 carrier of persons or property.

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

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

28 11. Buses or other urban mass transit vehicles which are used directly
29 to transport persons or property for hire or pursuant to a governmentally
30 adopted and controlled urban mass transportation program and which are sold
31 to bus companies holding a federal certificate of convenience and necessity
32 or operated by any city, town or other governmental entity or by any person
33 contracting with such governmental entity as part of a governmentally adopted
34 and controlled program to provide urban mass transportation.

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

36 13. New machinery and equipment consisting of tractors, tractor-drawn
37 implements, self-powered implements, machinery and equipment necessary for
38 extracting milk, and machinery and equipment necessary for cooling milk and
39 livestock, and drip irrigation lines not already exempt under paragraph 6 of
40 this subsection and that are used for commercial production of agricultural,
41 horticultural, viticultural and floricultural crops and products in this
42 state. For the purposes of this paragraph:

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

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

3 14. Machinery or equipment used in research and development. For the
4 purposes of this paragraph, "research and development" means basic and
5 applied research in the sciences and engineering, and designing, developing
6 or testing prototypes, processes or new products, including research and
7 development of computer software that is embedded in or an integral part of
8 the prototype or new product or that is required for machinery or equipment
9 otherwise exempt under this section to function effectively. Research and
10 development do not include manufacturing quality control, routine consumer
11 product testing, market research, sales promotion, sales service, research in
12 social sciences or psychology, computer software research that is not
13 included in the definition of research and development, or other
14 nontechnological activities or technical services.

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

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

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

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

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

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

36 16. Clean rooms that are used for manufacturing, processing,
37 fabrication or research and development, as defined in paragraph 14 of this
38 subsection, of semiconductor products. For the purposes of this paragraph,
39 "clean room" means all property that comprises or creates an environment
40 where humidity, temperature, particulate matter and contamination are
41 precisely controlled within specified parameters, without regard to whether
42 the property is actually contained within that environment or whether any of
43 the property is affixed to or incorporated into real property. Clean room:

44 (a) Includes the integrated systems, fixtures, piping, movable
45 partitions, lighting and all property that is necessary or adapted to reduce

1 contamination or to control airflow, temperature, humidity, chemical purity
2 or other environmental conditions or manufacturing tolerances, as well as the
3 production machinery and equipment operating in conjunction with the clean
4 room environment.

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

7 17. Machinery and equipment used directly in the feeding of poultry,
8 the environmental control of housing for poultry, the movement of eggs within
9 a production and packaging facility or the sorting or cooling of eggs. This
10 exemption does not apply to vehicles used for transporting eggs.

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

21 19. Machinery and equipment that are sold to a person engaged in the
22 commercial production of livestock, livestock products or agricultural,
23 horticultural, viticultural or floricultural crops or products in this state
24 and that are used directly and primarily to prevent, monitor, control or
25 reduce air, water or land pollution.

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

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

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

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

40 21. Qualifying equipment that is purchased from and after June 30, 2004
41 through June 30, 2024 by a qualified business under section 41-1516 for
42 harvesting or processing qualifying forest products removed from qualifying
43 projects as defined in section 41-1516. To qualify for this deduction, the
44 qualified business at the time of purchase must present its certification
45 approved by the department.

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

3 1. Expendable materials. For the purposes of this paragraph,
4 expendable materials do not include any of the categories of tangible
5 personal property specified in subsection B of this section regardless of the
6 cost or useful life of that property.

7 2. Janitorial equipment and hand tools.

8 3. Office equipment, furniture and supplies.

9 4. Tangible personal property used in selling or distributing
10 activities, other than the telecommunications transmissions described in
11 subsection B, paragraph ~~16~~ 15 of this section.

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

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

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

19 D. In addition to the deductions from the tax base prescribed by
20 subsection A of this section, there shall be deducted from the tax base the
21 gross proceeds of sales or gross income derived from sales of machinery,
22 equipment, materials and other tangible personal property used directly and
23 predominantly to construct a qualified environmental technology
24 manufacturing, producing or processing facility as described in section
25 41-1514.02. This subsection applies for ten full consecutive calendar or
26 fiscal years after the start of initial construction.

27 E. In computing the tax base, gross proceeds of sales or gross income
28 from retail sales of heavy trucks and trailers does not include any amount
29 attributable to federal excise taxes imposed by 26 United States Code section
30 4051.

31 F. In computing the tax base, gross proceeds of sales or gross income
32 from the sale of use fuel, as defined in section 28-5601, does not include
33 any amount attributable to federal excise taxes imposed by 26 United States
34 Code section 4091.

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

41 H. If a person is engaged in the business of selling tangible personal
42 property at both wholesale and retail, the tax under this section applies
43 only to the gross proceeds of the sales made other than at wholesale if the
44 person's books are kept so as to show separately the gross proceeds of sales

1 of each class, and if the books are not so kept, the tax under this section
2 applies to the gross proceeds of every sale so made.

3 I. A person who engages in manufacturing, baling, crating, boxing,
4 barreling, canning, bottling, sacking, preserving, processing or otherwise
5 preparing for sale or commercial use any livestock, agricultural or
6 horticultural product or any other product, article, substance or commodity
7 and who sells the product of such business at retail in this state is deemed,
8 as to such sales, to be engaged in business classified under the retail
9 classification. This subsection does not apply to businesses classified
10 under the:

- 11 1. Transporting classification.
- 12 2. Utilities classification.
- 13 3. Telecommunications classification.
- 14 4. Pipeline classification.
- 15 5. Private car line classification.
- 16 6. Publication classification.
- 17 7. Job printing classification.
- 18 8. Prime contracting classification.
- 19 9. Owner builder sales classification.
- 20 10. Restaurant classification.

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

23 1. Sales made directly to the United States government or its
24 departments or agencies by a manufacturer, modifier, assembler or repairer.

25 2. Sales made directly to a manufacturer, modifier, assembler or
26 repairer if such sales are of any ingredient or component part of products
27 sold directly to the United States government or its departments or agencies
28 by the manufacturer, modifier, assembler or repairer.

29 3. Overhead materials or other tangible personal property that is used
30 in performing a contract between the United States government and a
31 manufacturer, modifier, assembler or repairer, including property used in
32 performing a subcontract with a government contractor who is a manufacturer,
33 modifier, assembler or repairer, to which title passes to the government
34 under the terms of the contract or subcontract.

35 4. Sales of overhead materials or other tangible personal property to
36 a manufacturer, modifier, assembler or repairer if the gross proceeds of
37 sales or gross income derived from the property by the manufacturer,
38 modifier, assembler or repairer will be exempt under paragraph 3 of this
39 subsection.

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

44 L. The department shall require every person claiming a deduction
45 provided by subsection J or K of this section to file on forms prescribed by

1 the department at such times as the department directs a sworn statement
2 disclosing the name of the purchaser and the exact amount of sales on which
3 the exclusion or deduction is claimed.

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

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

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

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

14 O. In computing the tax base in the case of the sale or transfer of
15 wireless telecommunications equipment as an inducement to a customer to enter
16 into or continue a contract for telecommunications services that are taxable
17 under section 42-5064, gross proceeds of sales or gross income does not
18 include any sales commissions or other compensation received by the retailer
19 as a result of the customer entering into or continuing a contract for the
20 telecommunications services.

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

26 Q. Retail sales of prepaid calling cards or prepaid authorization
27 numbers for telecommunications services, including sales of reauthorization
28 of a prepaid card or authorization number, are subject to tax under this
29 section.

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

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

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

38 S. If a seller is entitled to a deduction pursuant to subsection B,
39 paragraph 15, subdivision (b) of this section, the department may require the
40 purchaser to establish that the requirements of subsection B, paragraph 15,
41 subdivision (b) of this section have been satisfied. If the purchaser cannot
42 establish that the requirements of subsection B, paragraph 15, subdivision
43 (b) of this section have been satisfied, the purchaser is liable in an amount
44 equal to any tax, penalty and interest which the seller would have been
45 required to pay under article 1 of this chapter if the seller had not made a

1 deduction pursuant to subsection B, paragraph 15, subdivision (b) of this
2 section. Payment of the amount under this subsection exempts the purchaser
3 from liability for any tax imposed under article 4 of this chapter and
4 related to the tangible personal property purchased. The amount shall be
5 treated as transaction privilege tax to the purchaser and as tax revenues
6 collected from the seller to designate the distribution base pursuant to
7 section 42-5029.

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

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

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

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

28 V. For the purposes of this section:

29 1. "Aircraft" includes:

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

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

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

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

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

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

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

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

11 4. "Overhead materials" means tangible personal property, the gross
12 proceeds of sales or gross income derived from that would otherwise be
13 included in the retail classification, and that are used or consumed in the
14 performance of a contract, the cost of which is charged to an overhead
15 expense account and allocated to various contracts based on generally
16 accepted accounting principles and consistent with government contract
17 accounting standards.

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

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

29 Sec. 6. Section 42-5075, Arizona Revised Statutes, is amended to read:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

35 (a) To be incorporated into real property.

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

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

40 8. The gross proceeds of sales or gross income attributable to the
41 purchase of machinery, equipment or other tangible personal property that is
42 exempt from or deductible from transaction privilege and use tax under:

43 (a) Section 42-5061, subsection A, paragraph 25, ~~OR~~ 29 OR 59.

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

1 (c) Section 42-5159, subsection A, paragraph 13, subdivision (a), (b),
2 (c), (d), (e), (f), (i), (j) or (l) OR PARAGRAPH 54.

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

4 9. The gross proceeds of sales or gross income received from a
5 contract for the construction of an environmentally controlled facility for
6 the raising of poultry for the production of eggs and the sorting, cooling
7 and packaging of eggs.

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

17 11. The gross proceeds of sales or gross income that is derived from
18 the installation, assembly, repair or maintenance of clean rooms that are
19 deducted from the tax base of the retail classification pursuant to section
20 42-5061, subsection B, paragraph 16.

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

27 13. For taxable periods beginning from and after December 31, 1996 and
28 ending before January 1, 2017, the gross proceeds of sales or gross income
29 derived from a contract to provide and install a solar energy device. The
30 contractor shall register with the department as a solar energy contractor.
31 By registering, the contractor acknowledges that it will make its books and
32 records relating to sales of solar energy devices available to the department
33 for examination.

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

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

41 16. The gross proceeds of sales or gross income derived from contracts
42 to perform postconstruction treatment of real property for termite and
43 general pest control, including wood destroying organisms.

44 17. The gross proceeds of sales or gross income received from contracts
45 entered into before July 1, 2006 for constructing a state university research

1 infrastructure project if the project has been reviewed by the joint
2 committee on capital review before the university enters into the
3 construction contract for the project. For the purposes of this paragraph,
4 "research infrastructure" has the same meaning prescribed in section 15-1670.

5 18. The gross proceeds of sales or gross income received from a
6 contract for the construction of any building, or other structure, project,
7 development or improvement owned by a qualified business under section
8 41-1516 for harvesting or processing qualifying forest products removed from
9 qualifying projects as defined in section 41-1516 if actual construction
10 begins before January 1, 2024. To qualify for this deduction, the prime
11 contractor must obtain a letter of qualification from the Arizona commerce
12 authority before beginning work under the contract.

13 19. Any amount of the gross proceeds of sales or gross income
14 attributable to development fees that are incurred in relation to a contract
15 for construction, development or improvement of real property and that are
16 paid by a prime contractor or subcontractor. For the purposes of this
17 paragraph:

18 (a) The attributable amount shall not exceed the value of the
19 development fees actually imposed.

20 (b) The attributable amount is equal to the total amount of
21 development fees paid by the prime contractor or subcontractor, and the total
22 development fees credited in exchange for the construction of, contribution
23 to or dedication of real property for providing public infrastructure, public
24 safety or other public services necessary to the development. The real
25 property must be the subject of the development fees.

26 (c) "Development fees" means fees imposed to offset capital costs of
27 providing public infrastructure, public safety or other public services to a
28 development and authorized pursuant to section 9-463.05, section 11-1102 or
29 title 48 regardless of the jurisdiction to which the fees are paid.

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

32 1. A prime contractor may establish entitlement to the deduction by
33 both:

34 (a) Marking the invoice for the transaction to indicate that the gross
35 proceeds of sales or gross income derived from the transaction was deducted
36 from the base.

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

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

4 3. The department may prescribe a form for the certificate described
5 in paragraph 1, subdivision (b) of this subsection. The department may also
6 adopt rules that describe the transactions with respect to which a person is
7 not entitled to rely solely on the information contained in the certificate
8 provided in paragraph 1, subdivision (b) of this subsection but must instead
9 obtain such additional information as required in order to be entitled to the
10 deduction.

11 4. If a prime contractor is entitled to a deduction by complying with
12 paragraph 1 of this subsection, the department may require the purchaser who
13 caused the execution of the certificate to establish the accuracy and
14 completeness of the information required to be contained in the certificate
15 that would entitle the prime contractor to the deduction. If the purchaser
16 cannot establish the accuracy and completeness of the information, the
17 purchaser is liable in an amount equal to any tax, penalty and interest that
18 the prime contractor would have been required to pay under article 1 of this
19 chapter if the prime contractor had not complied with paragraph 1 of this
20 subsection. Payment of the amount under this paragraph exempts the purchaser
21 from liability for any tax imposed under article 4 of this chapter. The
22 amount shall be treated as a transaction privilege tax to the purchaser and
23 as tax revenues collected from the prime contractor in order to designate the
24 distribution base for purposes of section 42-5029.

25 D. Subcontractors or others who perform services in respect to any
26 improvement, building, highway, road, railroad, excavation, manufactured
27 building or other structure, project, development or improvement are not
28 subject to tax if they can demonstrate that the job was within the control of
29 a prime contractor or contractors or a dealership of manufactured buildings
30 and that the prime contractor or dealership is liable for the tax on the
31 gross income, gross proceeds of sales or gross receipts attributable to the
32 job and from which the subcontractors or others were paid.

33 E. Amounts received by a contractor for a project are excluded from
34 the contractor's gross proceeds of sales or gross income derived from the
35 business if the person who hired the contractor executes and provides a
36 certificate to the contractor stating that the person providing the
37 certificate is a prime contractor and is liable for the tax under article 1
38 of this chapter. The department shall prescribe the form of the certificate.
39 If the contractor has reason to believe that the information contained on the
40 certificate is erroneous or incomplete, the department may disregard the
41 certificate. If the person who provides the certificate is not liable for
42 the tax as a prime contractor, that person is nevertheless deemed to be the
43 prime contractor in lieu of the contractor and is subject to the tax under
44 this section on the gross receipts or gross proceeds received by the
45 contractor.

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

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

12 H. For the purposes of section 42-5032.02, from and after September
13 30, 2013, the department shall separately account for revenues reported and
14 collected under the prime contracting classification from any prime
15 contractor engaged in the construction of any buildings and associated
16 improvements that are for the benefit of a manufacturing facility. For the
17 purposes of this subsection, "associated improvements" and "manufacturing
18 facility" have the same meanings prescribed in section 42-5032.02.

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

29 J. The gross proceeds of sales or gross income derived from
30 landscaping activities are subject to tax under this section. Landscaping
31 includes installing lawns, grading or leveling ground, installing gravel or
32 boulders, planting trees and other plants, felling trees, removing or
33 mulching tree stumps, removing other imbedded plants, building or modifying
34 irrigation berms, repairing sprinkler or watering systems, installing
35 railroad ties and installing underground sprinkler or watering systems.

36 K. The portion of gross proceeds of sales or gross income attributable
37 to the actual direct costs of providing architectural or engineering services
38 that are incorporated in a contract is not subject to tax under this section.
39 For the purposes of this subsection, "direct costs" means the portion of the
40 actual costs that are directly expended in providing architectural or
41 engineering services.

42 L. Operating a landfill or a solid waste disposal facility is not
43 subject to taxation under this section, including filling, compacting and
44 creating vehicle access to and from cell sites within the landfill.
45 Constructing roads to a landfill or solid waste disposal facility and

1 constructing cells within a landfill or solid waste disposal facility may be
2 deemed prime contracting under this section.

3 M. The following apply to manufactured buildings:

4 1. For sales in this state where the dealership of manufactured
5 buildings contracts to deliver the building to a setup site or to perform the
6 setup in this state, the taxable situs is the setup site.

7 2. For sales in this state where the dealership of manufactured
8 buildings does not contract to deliver the building to a setup site or does
9 not perform the setup, the taxable situs is the location of the dealership
10 where the building is delivered to the buyer.

11 3. For sales in this state where the dealership of manufactured
12 buildings contracts to deliver the building to a setup site that is outside
13 this state, the situs is outside this state and the transaction is excluded
14 from tax.

15 N. The gross proceeds of sales or gross income attributable to a
16 separate, written design phase services contract or professional services
17 contract, executed before modification begins, is not subject to tax under
18 this section, regardless of whether the services are provided sequential to
19 or concurrent with prime contracting activities that are subject to tax under
20 this section. This subsection does not include the gross proceeds of sales
21 or gross income attributable to construction phase services. For the
22 purposes of this subsection:

23 1. "Construction phase services" means services for the execution and
24 completion of any modification, including the following:

25 (a) Administration or supervision of any modification performed on the
26 project, including team management and coordination, scheduling, cost
27 controls, submittal process management, field management, safety program,
28 close-out process and warranty period services.

29 (b) Administration or supervision of any modification performed
30 pursuant to a punch list. For the purposes of this subdivision, "punch list"
31 means minor items of modification work performed after substantial completion
32 and before final completion of the project.

33 (c) Administration or supervision of any modification performed
34 pursuant to change orders. For the purposes of this subdivision, "change
35 order" means a written instrument issued after execution of a contract for
36 modification work, providing for all of the following:

37 (i) The scope of a change in the modification work, contract for
38 modification work or other contract documents.

39 (ii) The amount of an adjustment, if any, to the guaranteed maximum
40 price as set in the contract for modification work. For the purposes of this
41 item, "guaranteed maximum price" means the amount guaranteed to be the
42 maximum amount due to a prime contractor for the performance of all
43 modification work for the project.

44 (iii) The extent of an adjustment, if any, to the contract time of
45 performance set forth in the contract.

1 (d) Administration or supervision of any modification performed
2 pursuant to change directives. For the purposes of this subdivision, "change
3 directive" means a written order directing a change in modification work
4 before agreement on an adjustment of the guaranteed maximum price or contract
5 time.

6 (e) Inspection to determine the dates of substantial completion or
7 final completion.

8 (f) Preparation of any manuals, warranties, as-built drawings, spares
9 or other items the prime contractor must furnish pursuant to the contract for
10 modification work. For the purposes of this subdivision, "as-built drawing"
11 means a drawing that indicates field changes made to adapt to field
12 conditions, field changes resulting from change orders or buried and
13 concealed installation of piping, conduit and utility services.

14 (g) Preparation of status reports after modification work has begun
15 detailing the progress of work performed, including preparation of any of the
16 following:

17 (i) Master schedule updates.

18 (ii) Modification work cash flow projection updates.

19 (iii) Site reports made on a periodic basis.

20 (iv) Identification of discrepancies, conflicts or ambiguities in
21 modification work documents that require resolution.

22 (v) Identification of any health and safety issues that have arisen in
23 connection with the modification work.

24 (h) Preparation of daily logs of modification work, including
25 documentation of personnel, weather conditions and on-site occurrences.

26 (i) Preparation of any submittals or shop drawings used by the prime
27 contractor to illustrate details of the modification work performed.

28 (j) Administration or supervision of any other activities for which a
29 prime contractor receives a certificate for payment or certificate for final
30 payment based on the progress of modification work performed on the project.

31 2. "Design phase services" means services for developing and
32 completing a design for a project that are not construction phase services,
33 including the following:

34 (a) Evaluating surveys, reports, test results or any other information
35 on-site conditions for the project, including physical characteristics, legal
36 limitations and utility locations for the site.

37 (b) Evaluating any criteria or programming objectives for the project
38 to ascertain requirements for the project, such as physical requirements
39 affecting cost or projected utilization of the project.

40 (c) Preparing drawings and specifications for architectural program
41 documents, schematic design documents, design development documents,
42 modification work documents or documents that identify the scope of or
43 materials for the project.

1 (d) Preparing an initial schedule for the project, excluding the
2 preparation of updates to the master schedule after modification work has
3 begun.

4 (e) Preparing preliminary estimates of costs of modification work
5 before completion of the final design of the project, including an estimate
6 or schedule of values for any of the following:

7 (i) Labor, materials, machinery and equipment, tools, water, heat,
8 utilities, transportation and other facilities and services used in the
9 execution and completion of modification work, regardless of whether they are
10 temporary or permanent or whether they are incorporated in the
11 modifications.

12 (ii) The cost of labor and materials to be furnished by the owner of
13 the real property.

14 (iii) The cost of any equipment of the owner of the real property to
15 be assigned by the owner to the prime contractor.

16 (iv) The cost of any labor for installation of equipment separately
17 provided by the owner of the real property that has been designed, specified,
18 selected or specifically provided for in any design document for the project.

19 (v) Any fee paid by the owner of the real property to the prime
20 contractor pursuant to the contract for modification work.

21 (vi) Any bond and insurance premiums.

22 (vii) Any applicable taxes.

23 (viii) Any contingency fees for the prime contractor that may be used
24 before final completion of the project.

25 (f) Reviewing and evaluating cost estimates and project documents to
26 prepare recommendations on site use, site improvements, selection of
27 materials, building systems and equipment, modification feasibility,
28 availability of materials and labor, local modification activity as related
29 to schedules and time requirements for modification work.

30 (g) Preparing the plan and procedures for selection of subcontractors,
31 including any prequalification of subcontractor candidates.

32 3. "Professional services" means architect services, assayer services,
33 engineer services, geologist services, land surveying services or landscape
34 architect services that are within the scope of those services as provided in
35 title 32, chapter 1 and for which gross proceeds of sales or gross income has
36 not otherwise been deducted under subsection K of this section.

37 0. Notwithstanding subsection P, paragraph 8 of this section, a person
38 owning real property who enters into a contract for sale of the real
39 property, who is responsible to the new owner of the property for
40 modifications made to the property in the period subsequent to the transfer
41 of title and who receives a consideration for the modifications is considered
42 a prime contractor solely for purposes of taxing the gross proceeds of sale
43 or gross income received for the modifications made subsequent to the
44 transfer of title. The original owner's gross proceeds of sale or gross

1 income received for the modifications shall be determined according to the
2 following methodology:

3 1. If any part of the contract for sale of the property specifies
4 amounts to be paid to the original owner for the modifications to be made in
5 the period subsequent to the transfer of title, the amounts are included in
6 the original owner's gross proceeds of sale or gross income under this
7 section. Proceeds from the sale of the property that are received after
8 transfer of title and that are unrelated to the modifications made subsequent
9 to the transfer of title are not considered gross proceeds of sale or gross
10 income from the modifications.

11 2. If the original owner enters into an agreement separate from the
12 contract for sale of the real property providing for amounts to be paid to
13 the original owner for the modifications to be made in the period subsequent
14 to the transfer of title to the property, the amounts are included in the
15 original owner's gross proceeds of sale or gross income received for the
16 modifications made subsequent to the transfer of title.

17 3. If the original owner is responsible to the new owner for
18 modifications made to the property in the period subsequent to the transfer
19 of title and derives any gross proceeds of sale or gross income from the
20 project subsequent to the transfer of title other than a delayed disbursement
21 from escrow unrelated to the modifications, it is presumed that the amounts
22 are received for the modifications made subsequent to the transfer of title
23 unless the contrary is established by the owner through its books, records
24 and papers kept in the regular course of business.

25 4. The tax base of the original owner is computed in the same manner
26 as a prime contractor under this section.

27 P. For the purposes of this section:

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

29 2. "Contractor" is synonymous with the term "builder" and means any
30 person or organization that undertakes to or offers to undertake to, or
31 purports to have the capacity to undertake to, or submits a bid to, or does
32 personally or by or through others, modify any building, highway, road,
33 railroad, excavation, manufactured building or other structure, project,
34 development or improvement, or to do any part of such a project, including
35 the erection of scaffolding or other structure or works in connection with
36 such a project, and includes subcontractors and specialty contractors. For
37 all purposes of taxation or deduction, this definition shall govern without
38 regard to whether or not such contractor is acting in fulfillment of a
39 contract.

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

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

43 (b) Supervises, performs or coordinates the excavation and completion
44 of site improvements, setup or moving of a manufactured building including

1 the contracting, if any, with any subcontractor or specialty contractor for
2 the completion of the contract.

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

5 5. "Modification" means construction, alteration, repair, addition,
6 subtraction, improvement, movement, wreckage or demolition.

7 6. "Modify" means to construct, alter, repair, add to, subtract from,
8 improve, move, wreck or demolish.

9 7. "Prime contracting" means engaging in business as a prime
10 contractor.

11 8. "Prime contractor" means a contractor who supervises, performs or
12 coordinates the modification of any building, highway, road, railroad,
13 excavation, manufactured building or other structure, project, development or
14 improvement including the contracting, if any, with any subcontractors or
15 specialty contractors and who is responsible for the completion of the
16 contract. Except as provided in subsections E and O of this section, a
17 person who owns real property, who engages one or more contractors to modify
18 that real property and who does not itself modify that real property is not a
19 prime contractor within the meaning of this paragraph regardless of the
20 existence of a contract for sale or the subsequent sale of that real
21 property.

22 9. "Sale of a used manufactured building" does not include a lease of
23 a used manufactured building.

24 Sec. 7. Section 42-5159, Arizona Revised Statutes, is amended to read:
25 42-5159. Exemptions

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

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

32 2. Tangible personal property the sale or use of which has already
33 been subjected to an excise tax at a rate equal to or exceeding the tax
34 imposed by this article under the laws of another state of the United States.
35 If the excise tax imposed by the other state is at a rate less than the tax
36 imposed by this article, the tax imposed by this article is reduced by the
37 amount of the tax already imposed by the other state.

38 3. Tangible personal property, the storage, use or consumption of
39 which the constitution or laws of the United States prohibit this state from
40 taxing or to the extent that the rate or imposition of tax is
41 unconstitutional under the laws of the United States.

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

1 5. Motor vehicle fuel and use fuel, the sales, distribution or use of
2 which in this state is subject to the tax imposed under title 28, chapter 16,
3 article 1, use fuel which is sold to or used by a person holding a valid
4 single trip use fuel tax permit issued under section 28-5739, aviation fuel,
5 the sales, distribution or use of which in this state is subject to the tax
6 imposed under section 28-8344, and jet fuel, the sales, distribution or use
7 of which in this state is subject to the tax imposed under article 8 of this
8 chapter.

9 6. Tangible personal property brought into this state by an individual
10 who was a nonresident at the time the property was purchased for storage, use
11 or consumption by the individual if the first actual use or consumption of
12 the property was outside this state, unless the property is used in
13 conducting a business in this state.

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

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

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

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

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

35 12. Materials that are purchased by or for publicly funded libraries
36 including school district libraries, charter school libraries, community
37 college libraries, state university libraries or federal, state, county or
38 municipal libraries for use by the public as follows:

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

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

41 13. Tangible personal property purchased by:

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

1 (b) A hospital operated by this state or a political subdivision of
2 this state.

3 (c) A licensed nursing care institution or a licensed residential care
4 institution or a residential care facility operated in conjunction with a
5 licensed nursing care institution or a licensed kidney dialysis center, which
6 provides medical services, nursing services or health related services and is
7 not used or held for profit.

8 (d) A qualifying health care organization, as defined in section
9 42-5001, if the tangible personal property is used by the organization solely
10 to provide health and medical related educational and charitable services.

11 (e) A qualifying health care organization as defined in section
12 42-5001 if the organization is dedicated to providing educational,
13 therapeutic, rehabilitative and family medical education training for blind,
14 visually impaired and multihandicapped children from the time of birth to age
15 twenty-one.

16 (f) A nonprofit charitable organization that has qualified under
17 section 501(c)(3) of the United States internal revenue code and that engages
18 in and uses such property exclusively in programs for mentally or physically
19 handicapped persons if the programs are exclusively for training, job
20 placement, rehabilitation or testing.

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

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

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

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

34 (i) A qualifying community health center as defined in section
35 42-5001.

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

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

44 (l) For taxable periods beginning from and after June 30, 2001, a
45 nonprofit charitable organization that has qualified under section 501(c)(3)

1 of the internal revenue code and that provides residential apartment housing
2 for low income persons over sixty-two years of age in a facility that
3 qualifies for a federal housing subsidy, if the tangible personal property is
4 used by the organization solely to provide residential apartment housing for
5 low income persons over sixty-two years of age in a facility that qualifies
6 for a federal housing subsidy.

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

12 15. Tangible personal property sold by:

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

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

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

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

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

33 18. Prescription eyeglasses and contact lenses.

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

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

36 21. Durable medical equipment which has a centers for medicare and
37 medicaid services common procedure code, is designated reimbursable by
38 medicare, is prescribed by a person who is licensed under title 32, chapter
39 7, 13, 17 or 29, can withstand repeated use, is primarily and customarily
40 used to serve a medical purpose, is generally not useful to a person in the
41 absence of illness or injury and is appropriate for use in the home.

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

44 23. Items purchased with United States department of agriculture food
45 stamp coupons issued under the food stamp act of 1977 (P.L. 95-113; 91 Stat.

1 958) or food instruments issued under section 17 of the child nutrition act
2 (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42 United States Code
3 section 1786).

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

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

10 26. Food, drink or condiment and accessory tangible personal property
11 that are acquired for use by or provided to a school district or charter
12 school if they are to be either served or prepared and served to persons for
13 consumption on the premises of a public school in the school district or on
14 the premises of the charter school during school hours.

15 27. Lottery tickets or shares purchased pursuant to title 5, chapter
16 5.1, article 1.

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

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

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

24 31. Coal, petroleum, coke, natural gas, virgin fuel oil and electricity
25 purchased by a qualified environmental technology manufacturer, producer or
26 processor as defined in section 41-1514.02 and directly used or consumed in
27 the generation or provision of on-site power or energy solely for
28 environmental technology manufacturing, producing or processing or
29 environmental protection. This paragraph shall apply for twenty full
30 consecutive calendar or fiscal years from the date the first paper
31 manufacturing machine is placed in service. In the case of an environmental
32 technology manufacturer, producer or processor who does not manufacture
33 paper, the time period shall begin with the date the first manufacturing,
34 processing or production equipment is placed in service.

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

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

39 (b) Public educational institutions.

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

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

1 34. Machinery, equipment, technology or related supplies that are only
2 useful to assist a person who is physically disabled as defined in section
3 46-191, has a developmental disability as defined in section 36-551 or has a
4 head injury as defined in section 41-3201 to be more independent and
5 functional.

6 35. Liquid, solid or gaseous chemicals used in manufacturing,
7 processing, fabricating, mining, refining, metallurgical operations, research
8 and development and, beginning on January 1, 1999, printing, if using or
9 consuming the chemicals, alone or as part of an integrated system of
10 chemicals, involves direct contact with the materials from which the product
11 is produced for the purpose of causing or permitting a chemical or physical
12 change to occur in the materials as part of the production process. This
13 paragraph does not include chemicals that are used or consumed in activities
14 such as packaging, storage or transportation but does not affect any
15 exemption for such chemicals that is otherwise provided by this section. For
16 the purposes of this paragraph, "printing" means a commercial printing
17 operation and includes job printing, engraving, embossing, copying and
18 bookbinding.

19 36. Food, drink and condiment purchased for consumption within the
20 premises of any prison, jail or other institution under the jurisdiction of
21 the state department of corrections, the department of public safety, the
22 department of juvenile corrections or a county sheriff.

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

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

30 39. Overhead materials or other tangible personal property that is used
31 in performing a contract between the United States government and a
32 manufacturer, modifier, assembler or repairer, including property used in
33 performing a subcontract with a government contractor who is a manufacturer,
34 modifier, assembler or repairer, to which title passes to the government
35 under the terms of the contract or subcontract. For the purposes of this
36 paragraph:

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

44 (b) "Subcontract" means an agreement between a contractor and any
45 person who is not an employee of the contractor for furnishing of supplies or

1 services that, in whole or in part, are necessary to the performance of one
2 or more government contracts, or under which any portion of the contractor's
3 obligation under one or more government contracts is performed, undertaken or
4 assumed, and that includes provisions causing title to overhead materials or
5 other tangible personal property used in the performance of the subcontract
6 to pass to the government or that includes provisions incorporating such
7 title passing clauses in a government contract into the subcontract.

8 40. Through December 31, 1994, tangible personal property sold pursuant
9 to a personal property liquidation transaction, as defined in section
10 42-5061. From and after December 31, 1994, tangible personal property sold
11 pursuant to a personal property liquidation transaction, as defined in
12 section 42-5061, if the gross proceeds of the sales were included in the
13 measure of the tax imposed by article 1 of this chapter or if the personal
14 property liquidation was a casual activity or transaction.

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

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

21 43. Tangible personal property purchased by a commercial airline and
22 consisting of food, beverages and condiments and accessories used for serving
23 the food and beverages, if those items are to be provided without additional
24 charge to passengers for consumption in flight. For the purposes of this
25 paragraph, "commercial airline" means a person holding a federal certificate
26 of public convenience and necessity or foreign air carrier permit for air
27 transportation to transport persons, property or United States mail in
28 intrastate, interstate or foreign commerce.

29 44. Alternative fuel vehicles if the vehicle was manufactured as a
30 diesel fuel vehicle and converted to operate on alternative fuel and
31 equipment that is installed in a conventional diesel fuel motor vehicle to
32 convert the vehicle to operate on an alternative fuel, as defined in section
33 1-215.

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

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

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

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

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

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

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

14 50. Application services that are designed to assess or test student
15 learning or to promote curriculum design or enhancement purchased by or for
16 any school district, charter school, community college or state university.
17 For the purposes of this paragraph:

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

20 (b) "Curriculum design or enhancement" means planning, implementing or
21 reporting on courses of study, lessons, assignments or other learning
22 activities.

23 51. Motor vehicle fuel and use fuel to a qualified business under
24 section 41-1516 for off-road use in harvesting, processing or transporting
25 qualifying forest products removed from qualifying projects as defined in
26 section 41-1516.

27 52. Repair parts installed in equipment used directly by a qualified
28 business under section 41-1516 in harvesting, processing or transporting
29 qualifying forest products removed from qualifying projects as defined in
30 section 41-1516.

31 53. Renewable energy credits or any other unit created to track energy
32 derived from renewable energy resources. For the purposes of this paragraph,
33 "renewable energy credit" means a unit created administratively by the
34 corporation commission or governing body of a public power entity to track
35 kilowatt hours of electricity derived from a renewable energy resource or the
36 kilowatt hour equivalent of conventional energy resources displaced by
37 distributed renewable energy resources.

38 54. COMPUTER DATA CENTER EQUIPMENT PURCHASED BY THE OWNER, OPERATOR OR
39 QUALIFIED COLOCATION TENANT OF THE COMPUTER DATA CENTER OR AN AUTHORIZED
40 AGENT OF THE OWNER, OPERATOR OR QUALIFIED COLOCATION TENANT DURING THE
41 QUALIFICATION PERIOD FOR USE IN A COMPUTER DATA CENTER THAT IS CERTIFIED BY
42 THE ARIZONA COMMERCE AUTHORITY UNDER SECTION 41-1519. TO QUALIFY FOR THIS
43 DEDUCTION, AT THE TIME OF PURCHASE, THE OWNER, OPERATOR OR QUALIFIED
44 COLOCATION TENANT MUST PRESENT TO THE RETAILER ITS CERTIFICATE THAT IS ISSUED
45 PURSUANT TO SECTION 41-1519 AND THAT ESTABLISHES ITS QUALIFICATION FOR THE

1 DEDUCTION. FOR THE PURPOSES OF THIS PARAGRAPH, "COMPUTER DATA CENTER",
2 "COMPUTER DATA CENTER EQUIPMENT", "QUALIFICATION PERIOD" AND "QUALIFIED
3 COLOCATION TENANT" HAVE THE SAME MEANINGS PRESCRIBED IN SECTION 41-1519.

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

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

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

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

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

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

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

37 7. Aircraft, navigational and communication instruments and other
38 accessories and related equipment sold to:

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

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

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

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

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

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

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

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

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

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

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

1 15. Tangible personal property that is used by either of the following
2 to receive, store, convert, produce, generate, decode, encode, control or
3 transmit telecommunications information:

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

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

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

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

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

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

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

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

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

42 18. Machinery or equipment, including related structural components,
43 that is employed in connection with manufacturing, processing, fabricating,
44 job printing, refining, mining, natural gas pipelines, metallurgical
45 operations, telecommunications, producing or transmitting electricity or

1 research and development and that is used directly to meet or exceed rules or
2 regulations adopted by the federal energy regulatory commission, the United
3 States environmental protection agency, the United States nuclear regulatory
4 commission, the Arizona department of environmental quality or a political
5 subdivision of this state to prevent, monitor, control or reduce land, water
6 or air pollution.

7 19. Machinery and equipment that are used in the commercial production
8 of livestock, livestock products or agricultural, horticultural, viticultural
9 or floricultural crops or products in this state and that are used directly
10 and primarily to prevent, monitor, control or reduce air, water or land
11 pollution.

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

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

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

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

26 21. Qualifying equipment that is purchased from and after June 30, 2004
27 through June 30, 2024 by a qualified business under section 41-1516 for
28 harvesting or processing qualifying forest products removed from qualifying
29 projects as defined in section 41-1516. To qualify for this exemption, the
30 qualified business must obtain and present its certification from the Arizona
31 commerce authority at the time of purchase.

32 C. The exemptions provided by subsection B of this section do not
33 include:

34 1. Expendable materials. For the purposes of this paragraph,
35 expendable materials do not include any of the categories of tangible
36 personal property specified in subsection B of this section regardless of the
37 cost or useful life of that property.

38 2. Janitorial equipment and hand tools.

39 3. Office equipment, furniture and supplies.

40 4. Tangible personal property used in selling or distributing
41 activities, other than the telecommunications transmissions described in
42 subsection B, paragraph ~~16~~ 15 of this section.

43 5. Motor vehicles required to be licensed by this state, except buses
44 or other urban mass transit vehicles specifically exempted pursuant to

1 subsection B, paragraph 11 of this section, without regard to the use of such
2 motor vehicles.

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

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

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

8 1. Revenues received from sales of ancillary services, electric
9 distribution services, electric generation services, electric transmission
10 services and other services related to providing electricity to a retail
11 electric customer who is located outside this state for use outside this
12 state if the electricity is delivered to a point of sale outside this state.

13 2. Revenues received from providing electricity, including ancillary
14 services, electric distribution services, electric generation services,
15 electric transmission services and other services related to providing
16 electricity with respect to which the transaction privilege tax imposed under
17 section 42-5063 has been paid.

18 E. The tax levied by this article does not apply to the purchase of
19 solar energy devices from a retailer that is registered with the department
20 as a solar energy retailer or a solar energy contractor.

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

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

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

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

34 1. "Aircraft" includes:

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

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

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

44 H. For the purposes of subsection D of this section, "ancillary
45 services", "electric distribution service", "electric generation service",

1 "electric transmission service" and "other services" have the same meanings
2 prescribed in section 42-5063.

3 Sec. 8. Section 42-6004, Arizona Revised Statutes, is amended to 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. Sales of food or other items purchased with United States
23 department of agriculture food stamp coupons issued under the food stamp act
24 of 1977 (P.L. 95-113; 91 Stat. 958) or food instruments issued under section
25 17 of the child nutrition act (P.L. 95-627; 92 Stat. 3603; P.L. 99-661,
26 section 4302; 42 United States Code section 1786) but may impose such a tax
27 on other sales of food. If a city, town or special taxing district exempts
28 sales of food from its tax or imposes a different transaction privilege rate
29 on the gross proceeds of sales or gross income from sales of food and nonfood
30 items, it shall use the definition of food prescribed by rule adopted by the
31 department pursuant to section 42-5106.

32 8. Sales of internet access services to the person's subscribers and
33 customers. For the purposes of this paragraph:

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

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

42 9. The gross proceeds of sales or gross income retained by the Arizona
43 exposition and state fair board from ride ticket sales at the annual Arizona
44 state fair.

1 10. Through August 31, 2014, sales of Arizona centennial medallions by
2 the historical advisory commission.

3 11. The gross proceeds of sales or gross income derived from a
4 commercial lease in which a reciprocal insurer or a corporation leases real
5 property to an affiliated corporation. For the purposes of this paragraph:

6 (a) "Affiliated corporation" means a corporation that meets one of the
7 following conditions:

8 (i) The corporation owns or controls at least eighty per cent of the
9 lessor.

10 (ii) The corporation is at least eighty per cent owned or controlled
11 by the lessor.

12 (iii) The corporation is at least eighty per cent owned or controlled
13 by a corporation that also owns or controls at least eighty per cent of the
14 lessor.

15 (iv) The corporation is at least eighty per cent owned or controlled
16 by a corporation that is at least eighty per cent owned or controlled by a
17 reciprocal insurer.

18 (b) For the purposes of subdivision (a) of this paragraph, ownership
19 and control are determined by reference to the voting shares of a
20 corporation.

21 (c) "Reciprocal insurer" has the same meaning prescribed in section
22 20-762.

23 12. The gross proceeds of sales or gross income derived from a
24 commercial lease in which a corporation leases real property to a corporation
25 of which at least eighty per cent of the voting shares of each corporation
26 are owned by the same shareholders.

27 13. COMPUTER DATA CENTER EQUIPMENT PURCHASED BY THE OWNER, OPERATOR OR
28 QUALIFIED COLOCATION TENANT OF THE COMPUTER DATA CENTER OR AN AUTHORIZED
29 AGENT OF THE OWNER, OPERATOR OR QUALIFIED COLOCATION TENANT DURING THE
30 QUALIFICATION PERIOD FOR USE IN A COMPUTER DATA CENTER THAT IS CERTIFIED BY
31 THE ARIZONA COMMERCE AUTHORITY UNDER SECTION 41-1519. TO QUALIFY FOR THIS
32 DEDUCTION, AT THE TIME OF PURCHASE, THE OWNER, OPERATOR OR QUALIFIED
33 COLOCATION TENANT MUST PRESENT TO THE RETAILER ITS CERTIFICATE THAT IS ISSUED
34 PURSUANT TO SECTION 41-1519 AND THAT ESTABLISHES ITS QUALIFICATION FOR THE
35 DEDUCTION. FOR THE PURPOSES OF THIS PARAGRAPH, "COMPUTER DATA CENTER",
36 "COMPUTER DATA CENTER EQUIPMENT", "QUALIFICATION PERIOD" AND "QUALIFIED
37 COLOCATION TENANT" HAVE THE SAME MEANINGS PRESCRIBED IN SECTION 41-1519.

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

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

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

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

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

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

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

17 6. Any amount attributable to development fees that are incurred in
18 relation to the construction, development or improvement of real property and
19 paid by the taxpayer as defined in the model city tax code or by a contractor
20 providing services to the taxpayer. For the purposes of this paragraph:

21 (a) The attributable amount shall not exceed the value of the
22 development fees actually imposed.

23 (b) The attributable amount is equal to the total amount of
24 development fees paid by the taxpayer or by a contractor providing services
25 to the taxpayer and the total development fees credited in exchange for the
26 construction of, contribution to or dedication of real property for providing
27 public infrastructure, public safety or other public services necessary to
28 the development. The real property must be the subject of the development
29 fees.

30 (c) "Development fees" means fees imposed to offset capital costs of
31 providing public infrastructure, public safety or other public services to a
32 development and authorized pursuant to section 9-463.05, section 11-1102 or
33 title 48 regardless of the jurisdiction to which the fees are paid.

34 D. 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, in excess of one-tenth of one per cent of the value of
37 the entire product mined, smelted, extracted, refined, produced or prepared
38 for sale, profit or commercial use, on persons engaged in the business of
39 mineral processing, except to the extent that the tax is computed on the
40 gross proceeds or gross income from sales at retail.

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

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

1 ~~G.~~ H. The charitable organization's written certification must be
2 signed by an officer of the organization under penalty of perjury. The
3 written certification must include the following:

4 1. Verification of the organization's status under section 501(c)(3)
5 of the internal revenue code or verification that the organization is a
6 designated community action agency that receives community services block
7 grant program monies pursuant to 42 United States Code section 9901.

8 2. Financial data indicating the organization's budget for the
9 organization's prior operating year and the amount of that budget spent on
10 services to residents of this state who either:

- 11 (a) Receive temporary assistance for needy families benefits.
12 (b) Are low income residents of this state.
13 (c) Are chronically ill or physically disabled children.

14 3. A statement that the organization plans to continue spending at
15 least fifty per cent of its budget on services to residents of this state who
16 receive temporary assistance for needy families benefits, who are low income
17 residents of this state or who are chronically ill or physically disabled
18 children.

19 4. A statement that the organization does not provide, pay for or
20 provide coverage of abortions and does not financially support any other
21 entity that provides, pays for or provides coverage of abortions.

22 ~~H.~~ I. The department shall review each written certification and
23 determine whether the organization meets all the criteria to be considered a
24 qualifying charitable organization and notify the organization of its
25 determination. The department may also periodically request recertification
26 from the organization. The department shall compile and make available to
27 the public a list of the qualifying charitable organizations.

28 ~~I.~~ J. For the purposes of this section:

29 1. "Chronically ill or physically disabled children" has the same
30 meaning prescribed in section 36-260.

31 2. "Low income residents" means persons whose household income is less
32 than one hundred fifty per cent of the federal poverty level.

33 3. "Qualifying charitable organization" means a charitable
34 organization that is exempt from federal income taxation under section
35 501(c)(3) of the internal revenue code or is a designated community action
36 agency that receives community services block grant program monies pursuant
37 to 42 United States Code section 9901. The organization must spend at least
38 fifty per cent of its budget on services to residents of this state who
39 receive temporary assistance for needy families benefits or low income
40 residents of this state and their households or to chronically ill or
41 physically disabled children who are residents of this state. Taxpayers
42 choosing to make donations through an umbrella charitable organization that
43 collects donations on behalf of member charities shall designate that the
44 donation be directed to a member charitable organization that would qualify
45 under this section on a stand-alone basis. Qualifying charitable

1 organization does not include any entity that provides, pays for or provides
2 coverage of abortions or that financially supports any other entity that
3 provides, pays for or provides coverage of abortions.

4 4. "QUALIFYING FOSTER CARE CHARITABLE ORGANIZATION" MEANS A QUALIFYING
5 CHARITABLE ORGANIZATION THAT EACH OPERATING YEAR PROVIDES SERVICES TO AT
6 LEAST TWO HUNDRED FOSTER CHILDREN IN THIS STATE AND SPENDS AT LEAST FIFTY PER
7 CENT OF ITS BUDGET ON SERVICES TO FOSTER CHILDREN IN THIS STATE. FOR THE
8 PURPOSES OF THIS PARAGRAPH, "FOSTER CHILDREN" HAS THE SAME MEANING PRESCRIBED
9 IN SECTION 8-501.

10 ~~4.~~ 5. "Services" means cash assistance, medical care, child care,
11 food, clothing, shelter, job placement and job training services or any other
12 assistance that is reasonably necessary to meet immediate basic needs and
13 that is provided and used in this state.

14 Sec. 10. Racing and boxing fees; increases; rule making
15 exemption

16 A. The Arizona department of racing is exempt from the rule making
17 requirements of title 41, chapter 6, Arizona Revised Statutes, for the
18 purpose of increasing fees pursuant to sections 5-104 and 5-230, Arizona
19 Revised Statutes, until July 1, 2014.

20 B. It is the intent of the legislature that the revenue generated by
21 the fees collected pursuant to sections 5-104 and 5-230, Arizona Revised
22 Statutes, not exceed \$2,600,000 in fiscal year 2013-2014.

23 Sec. 11. Fees for providing services; increases; intent;
24 exemption from rule making

25 A. Notwithstanding any other law, the director of each of the
26 following agencies may increase fees in fiscal year 2013-2014 for services
27 provided in fiscal year 2013-2014:

- 28 1. Office of pest management.
- 29 2. Radiation regulatory agency.

30 B. It is the intent of the legislature that the revenue generated by
31 the fees collected pursuant to subsection A of this section not exceed the
32 amounts listed below:

- | | |
|-----------------------------------|------------|
| 33 1. Office of pest management | \$525,000. |
| 34 2. Radiation regulatory agency | \$561,000. |

35 C. Monies received from any fees pursuant to subsection A, paragraph 1
36 of this section shall be deposited in the pest management fund established by
37 section 32-2305, Arizona Revised Statutes.

38 D. Monies received from any fees pursuant to subsection A, paragraph 2
39 of this section shall be deposited in the radiation regulatory fee fund
40 established by section 30-658, Arizona Revised Statutes.

41 E. The agencies prescribed in subsection A of this section are exempt
42 from the rule making requirements of title 41, chapter 6, Arizona Revised
43 Statutes, for the purpose of establishing fees pursuant to this section until
44 July 1, 2014.

1 Sec. 12. Agricultural fees; intent; rule making exemption

2 A. Notwithstanding any other law, the director of the Arizona
3 department of agriculture, with the assistance of the agriculture advisory
4 council, may continue existing fees from fiscal year 2012-2013 in fiscal year
5 2013-2014 for services provided in fiscal years 2013-2014.

6 B. It is the intent of the legislature that the additional revenue
7 generated by the fees established as prescribed in subsection A of this
8 section not exceed \$218,000 to the state general fund, \$113,000 to the
9 pesticide trust fund and \$26,000 to the dangerous plants, pests and diseases
10 trust fund in fiscal year 2013-2014.

11 C. The Arizona department of agriculture is exempt from the rule
12 making requirements of title 41, chapter 6, Arizona Revised Statutes, for the
13 purpose of establishing fees pursuant to this section until July 1, 2014.

14 Sec. 13. Department of insurance; fee and assessment adjustment
15 suspension

16 Notwithstanding section 20-167, subsection F, Arizona Revised Statutes,
17 and section 20-466, subsection J, Arizona Revised Statutes, the director of
18 insurance shall not revise fees or assessments in fiscal year 2013-2014 for
19 the purpose of meeting the requirement to recover at least ninety-five per
20 cent but not more than one hundred ten per cent of the department of
21 insurance's appropriated budget.

22 Sec. 14. County fiscal obligations; report

23 A. Notwithstanding any other law, for fiscal year 2013-2014, a county
24 with a population of less than 200,000 persons according to the 2010 United
25 States decennial census may meet any county fiscal obligation from any source
26 of county revenue designated by the county, including funds of any countywide
27 special taxing jurisdiction in which the board of supervisors serves as the
28 board of directors.

29 B. On or before October 1, 2013, all counties with a population of
30 less than 200,000 persons according to the 2010 United States decennial
31 census shall report to the director of the joint legislative budget committee
32 whether the county used a revenue source to meet a county fiscal obligation
33 pursuant to subsection A of this section and, if so, the specific source and
34 amount of revenues that the county intends to use in fiscal year 2013-2014.

35 Sec. 15. Exemption from rule making

36 For the purposes of implementing section 41-1519, Arizona Revised
37 Statutes, as added by this act, the Arizona commerce authority and the
38 department of revenue are exempt from the rule making requirements of title
39 41, chapter 6, Arizona Revised Statutes, for one year after the effective
40 date of this act.

41 Sec. 16. Department receivership revolving fund; use; intent

42 A. Notwithstanding section 6-135.01, Arizona Revised Statutes, in
43 fiscal year 2013-2014, the superintendent of the department of financial
44 institutions may use monies in the department receivership revolving fund

1 established by section 6-135.01, Arizona Revised Statutes, for expenditures
2 on an electronic licensing system.

3 B. It is the intent of the legislature that expenditures in fiscal
4 year 2013-2014 on an electronic licensing system as prescribed in subsection
5 A of this section not exceed \$850,000.

6 Sec. 17. Appropriation; budget stabilization fund; arts fund;
7 state parks revenue fund; fiscal year 2013-2014

8 Notwithstanding section 35-144, Arizona Revised Statutes, \$1,000,000 in
9 fiscal year 2013-2014 from interest income earned on the budget stabilization
10 fund established by section 35-144, Arizona Revised Statutes, is appropriated
11 for deposit in each of the following funds:

12 1. The arts fund established by section 41-983, Arizona Revised
13 Statutes.

14 2. The state parks revenue fund established by section 41-511.21,
15 Arizona Revised Statutes.

16 Sec. 18. Appropriation; Arizona state parks board; fiscal year
17 2013-2014

18 In addition to any other monies appropriated to the Arizona state parks
19 board in fiscal year 2013-2014, the sum of \$1,000,000 is appropriated from
20 the state parks revenue fund established by section 41-511.21, Arizona
21 Revised Statutes, to the Arizona state parks board for capital improvements,
22 subject to review by the joint committee on capital review pursuant to
23 section 41-511.21, subsection B, paragraph 2, Arizona Revised Statutes.

24 Sec. 19. Retroactivity

25 Section 43-1088, Arizona Revised Statutes, as amended by this act,
26 applies retroactively to taxable years beginning from and after December 31,
27 2012.