

State of Arizona
House of Representatives
Fifty-first Legislature
First Special Session
2013

CHAPTER 9

HOUSE BILL 2009

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.

45 (b) AN AFFIRMATION, SIGNED BY AN AUTHORIZED EXECUTIVE REPRESENTING THE
46 OWNER OR OPERATOR, THAT THE COMPUTER DATA CENTER IS EXPECTED TO SATISFY ONE

1 OF THE CERTIFICATION REQUIREMENTS PRESCRIBED IN SUBSECTION E, PARAGRAPH 1 OF
2 THIS SECTION AND THAT THE COMPUTER DATA CENTER WILL NOT VIOLATE SUBSECTION L
3 OF THIS SECTION.

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

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

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

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

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

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

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

44 2. DURING THE SEVENTY-TWO MONTHS IMMEDIATELY BEFORE SEPTEMBER 1, 2013,
45 THE COMPUTER DATA CENTER CREATED AN INVESTMENT OF AT LEAST TWO HUNDRED FIFTY

1 MILLION DOLLARS, INCLUDING COSTS OF LAND, BUILDINGS, MODULAR DATA CENTERS AND
2 COMPUTER DATA CENTER EQUIPMENT.

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

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

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

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

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

45 K. EXCEPT AS PROVIDED IN SUBSECTION G OF THIS SECTION, ON
46 CERTIFICATION, THE COMPUTER DATA CENTER REMAINS CERTIFIED REGARDLESS OF A

1 FUTURE TRANSFER, SALE OR DISPOSITION, DIRECTLY OR INDIRECTLY, OF THE COMPUTER
2 DATA CENTER.

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

- 5 1. GENERATE ELECTRICITY FOR RESALE PURPOSES.
6 2. GENERATE, PROVIDE OR SELL ELECTRICITY OUTSIDE OF THE COMPUTER DATA
7 CENTER.

8 M. THE OWNER OR OPERATOR MAY INCLUDE SINGLE ENTITIES OR AFFILIATED
9 ENTITIES.

10 N. FOR THE PURPOSES OF THIS SECTION:

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

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

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

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

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

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

36 (e) ALL MONITORING EQUIPMENT AND SECURITY SYSTEMS.

37 (f) MODULAR DATA CENTERS AND PREASSEMBLED COMPONENTS OF ANY ITEM
38 DESCRIBED IN THIS PARAGRAPH, INCLUDING COMPONENTS USED IN THE MANUFACTURING
39 OF MODULAR DATA CENTERS.

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

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

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

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

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

7 7. "QUALIFICATION PERIOD" MEANS:

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

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

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

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

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

41 (b) ATTAINS CERTIFICATION UNDER THE ENERGY STAR OR GREEN GLOBES
42 STANDARD, THE LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN GREEN BUILDING
43 RATING STANDARD DEVELOPED BY THE UNITED STATES GREEN BUILDING COUNCIL OR AN
44 EQUIVALENT GREEN BUILDING STANDARD AND WAS NOT PREVIOUSLY CERTIFIED UNDER
45 THESE STANDARDS.

1 10. "TAX RELIEF" MEANS THE DEDUCTION OF THE GROSS PROCEEDS OF SALE OR
2 GROSS INCOME FROM THE SALE OF QUALIFIED EQUIPMENT AS PRESCRIBED BY SECTION
3 42-5061, 42-5159 OR 42-6004 THAT IS INSTALLED IN A COMPUTER DATA CENTER.

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

5 42-2003. Authorized disclosure of confidential information

6 A. Confidential information relating to:

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

11 2. A corporate taxpayer may be disclosed to any principal officer, any
12 person designated by a principal officer or any person designated in a
13 resolution by the corporate board of directors or other similar governing
14 body.

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

18 4. An estate may be disclosed to the personal representative of the
19 estate and to any heir, next of kin or beneficiary under the will of the
20 decedent if the department finds that the heir, next of kin or beneficiary
21 has a material interest which will be affected by the confidential
22 information.

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

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

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

32 B. Confidential information may be disclosed to:

33 1. Any employee of the department whose official duties involve tax
34 administration.

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

39 3. The department of liquor licenses and control for its use in
40 determining whether a spirituous liquor licensee has paid all transaction
41 privilege taxes and affiliated excise taxes incurred as a result of the sale
42 of spirituous liquor, as defined in section 4-101, at the licensed
43 establishment and imposed on the licensed establishments by this state and
44 its political subdivisions.

45 4. Other state tax officials whose official duties require the
46 disclosure for proper tax administration purposes if the information is

1 sought in connection with an investigation or any other proceeding conducted
2 by the official. Any disclosure is limited to information of a taxpayer who
3 is being investigated or who is a party to a proceeding conducted by the
4 official.

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

10 (a) The United States internal revenue service, alcohol and tobacco
11 tax and trade bureau of the United States treasury, United States bureau of
12 alcohol, tobacco, firearms and explosives of the United States department of
13 justice, United States drug enforcement agency and federal bureau of
14 investigation.

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

16 (c) An organization of states, federation of tax administrators or
17 multistate tax commission that operates an information exchange for tax
18 administration purposes.

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

22 (e) An agency, official or organization of an Indian tribal government
23 with responsibilities comparable to the responsibilities of the agencies,
24 officials or organizations identified in subdivision (a), (b) or (c) of this
25 paragraph.

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

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

30 (a) The processing, storage, transmission, destruction and
31 reproduction of the information.

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

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

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

38 (a) Regarding income tax or withholding tax.

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

41 9. The United States treasury inspector general for tax administration
42 for the purpose of reporting a violation of internal revenue code section
43 7213A (26 United States Code section 7213A), unauthorized inspection of
44 returns or return information.

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

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

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

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

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

9 (c) Fulfilling its annual reporting responsibility pursuant to section
10 41-1511, subsections U and V and section 41-1512, subsections U and V.

11 (d) CERTIFYING COMPUTER DATA CENTERS FOR TAX RELIEF UNDER SECTION
12 41-1519.

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

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

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

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

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

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

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

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

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

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

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

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

44 F. A department employee, in connection with the official duties
45 relating to any audit, collection activity or civil or criminal
46 investigation, may disclose return information to the extent that disclosure

1 is necessary to obtain information that is not otherwise reasonably
2 available. These official duties include the correct determination of and
3 liability for tax, the amount to be collected or the enforcement of other
4 state tax revenue laws.

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

11 H. Confidential information relating to transaction privilege tax, use
12 tax, severance tax, jet fuel excise and use tax and ~~and~~ any other tax
13 collected by the department on behalf of the county may be disclosed to any
14 county, city or town tax official if the information relates to a taxpayer
15 who is or may be taxable by the county, city or town. Any taxpayer
16 information released by the department to the county, city or town:

17 1. May only be used for internal purposes.

18 2. May not be disclosed to the public in any manner that does not
19 comply with confidentiality standards established by the department. The
20 county, city or town shall agree in writing with the department that any
21 release of confidential information that violates the confidentiality
22 standards adopted by the department will result in the immediate suspension
23 of any rights of the county, city or town to receive taxpayer information
24 under this subsection.

25 I. The department may disclose statistical information gathered from
26 confidential information if it does not disclose confidential information
27 attributable to any one taxpayer. The department may disclose statistical
28 information gathered from confidential information, even if it discloses
29 confidential information attributable to a taxpayer, to:

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

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

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

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

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

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

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

9 O. This section does not prohibit the disclosure by the department of
10 any information or documents submitted to the department by a bingo licensee.
11 Before disclosing the information the department shall obtain the name and
12 address of the person requesting the information.

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

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

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

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

30 T. The department shall release confidential information as requested
31 by the attorney general for purposes of determining compliance with and
32 enforcing section 44-7101, the master settlement agreement referred to
33 therein and subsequent agreements to which the state is a party that amend or
34 implement the master settlement agreement. Information disclosed under this
35 subsection is limited to luxury tax information relating to tobacco
36 manufacturers, distributors, wholesalers and retailers and information
37 collected by the department pursuant to section 44-7101(2)(j).

38 U. For proceedings before the department, the office of administrative
39 hearings, the board of tax appeals or any state or federal court involving
40 penalties that were assessed against a return preparer, an electronic return
41 preparer or a payroll service company pursuant to section 42-1103.02,
42 42-1125.01 or 43-419, confidential information may be disclosed only before
43 the judge or administrative law judge adjudicating the proceeding, the
44 parties to the proceeding and the parties' representatives in the proceeding
45 prior to its introduction into evidence in the proceeding. The confidential
46 information may be introduced as evidence in the proceeding only if the

1 taxpayer's name, the names of any dependents listed on the return, all social
2 security numbers, the taxpayer's address, the taxpayer's signature and any
3 attachments containing any of the foregoing information are redacted and if
4 either:

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

7 2. Such return or return information relates or may relate to a
8 transactional relationship between a person who is a party to the proceeding
9 and the taxpayer which directly affects the resolution of an issue in the
10 proceeding.

11 3. The method of payment of the taxpayer's withholding tax liability
12 or the method of filing the taxpayer's withholding tax return is an issue for
13 the period.

14 V. The department may disclose to the attorney general confidential
15 information received under section 44-7111 and requested by the attorney
16 general for purposes of determining compliance with and enforcing section
17 44-7111. The department and attorney general shall share with each other the
18 information received under section 44-7111, and may share the information
19 with other federal, state or local agencies only for the purposes of
20 enforcement of section 36-798.06, 44-7101, ~~OR~~ 44-7111 or corresponding laws
21 of other states.

22 W. The department may provide the name and address of qualifying
23 hospitals and qualifying health care organizations, as defined in section
24 42-5001, to a business classified and reporting transaction privilege tax
25 under the utilities classification.

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

29 Y. The department may disclose to an official of any city, town or
30 county in a current agreement or considering a prospective agreement with the
31 department as described in section 42-5032.02, subsection F any information
32 relating to amounts subject to distribution required by section 42-5032.02.
33 Information disclosed by the department under this subsection:

34 1. May only be used by the city, town or county for internal purposes.

35 2. May not be disclosed to the public in any manner that does not
36 comply with confidentiality standards established by the department. The
37 city, town or county must agree with the department in writing that any
38 release of confidential information that violates the confidentiality
39 standards will result in the immediate suspension of any rights of the city,
40 town or county to receive information under this subsection.

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

43 42-5031.01. Distribution of revenues for Indian tribal
44 postsecondary educational institutions;
45 definition

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

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

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

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

23 3. Provide for audits by the auditor general of the use of the
24 monies. The auditor general shall submit copies of each audit to the joint
25 legislative budget committee.

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

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

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

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

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

45 Sec. 5. Section 42-5061, Arizona Revised Statutes, is amended to read:
46 42-5061. Retail classification; definitions

1 A. The retail classification is comprised of the business of selling
2 tangible personal property at retail. The tax base for the retail
3 classification is the gross proceeds of sales or gross income derived from
4 the business. The tax imposed on the retail classification does not apply to
5 the gross proceeds of sales or gross income from:

6 1. Professional or personal service occupations or businesses that
7 involve sales or transfers of tangible personal property only as
8 inconsequential elements.

9 2. Services rendered in addition to selling tangible personal property
10 at retail.

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

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

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

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

23 7. The sale of stocks and bonds.

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

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

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

31 11. Prescription eyeglasses or contact lenses.

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

33 13. Durable medical equipment which has a centers for medicare and
34 medicaid services common procedure code, is designated reimbursable by
35 medicare, is prescribed by a person who is licensed under title 32, chapter
36 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is primarily and
37 customarily used to serve a medical purpose, is generally not useful to a
38 person in the absence of illness or injury and is appropriate for use in the
39 home.

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

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

45 16. Items purchased with United States department of agriculture food
46 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 17. Textbooks by any bookstore that are required by any state
5 university or community college.

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

10 19. Articles of food, drink or condiment and accessory tangible
11 personal property to a school district or charter school if such articles and
12 accessory tangible personal property are to be prepared and served to persons
13 for consumption on the premises of a public school within the district or on
14 the premises of the charter school during school hours.

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

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

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

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

28 22. Motor vehicle fuel and use fuel that are subject to a tax imposed
29 under title 28, chapter 16, article 1, sales of use fuel to a holder of a
30 valid single trip use fuel tax permit issued under section 28-5739, sales of
31 aviation fuel that are subject to the tax imposed under section 28-8344 and
32 sales of jet fuel that are subject to the tax imposed under article 8 of this
33 chapter.

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

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

40 25. Tangible personal property sold to:

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

42 (b) A qualifying health care organization as defined in section
43 42-5001 if the tangible personal property is used by the organization solely
44 to provide health and medical related educational and charitable services.

45 (c) A qualifying health care organization as defined in section
46 42-5001 if the organization is dedicated to providing educational,

1 therapeutic, rehabilitative and family medical education training for blind,
2 visually impaired and multihandicapped children from the time of birth to age
3 twenty-one.

4 (d) A qualifying community health center as defined in section
5 42-5001.

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

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

17 26. Magazines or other periodicals or other publications by this state
18 to encourage tourist travel.

19 27. Tangible personal property sold to a person that is subject to tax
20 under this article by reason of being engaged in business classified under
21 the prime contracting classification under section 42-5075, or to a
22 subcontractor working under the control of a prime contractor that is subject
23 to tax under article 1 of this chapter, if the property so sold is any of the
24 following:

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

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

29 28. The sale of a motor vehicle to:

30 (a) A nonresident of this state if the purchaser's state of residence
31 does not allow a corresponding use tax exemption to the tax imposed by
32 article 1 of this chapter and if the nonresident has secured a special ninety
33 day nonresident registration permit for the vehicle as prescribed by sections
34 28-2154 and 28-2154.01.

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

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

43 30. Sales of tangible personal property by a nonprofit organization
44 that is exempt from taxation under section 501(c)(3), 501(c)(4) or 501(c)(6)
45 of the internal revenue code if the organization is associated with a major
46 league baseball team or a national touring professional golfing association

1 and no part of the organization's net earnings inures to the benefit of any
2 private shareholder or individual.

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

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

14 33. Sales of seeds, seedlings, roots, bulbs, cuttings and other
15 propagative material to persons who use those items to commercially produce
16 agricultural, horticultural, viticultural or floricultural crops in this
17 state.

18 34. Machinery, equipment, technology or related supplies that are only
19 useful to assist a person who is physically disabled as defined in section
20 46-191, has a developmental disability as defined in section 36-551 or has a
21 head injury as defined in section 41-3201 to be more independent and
22 functional.

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

26 36. Sales of natural gas or liquefied petroleum gas used to propel a
27 motor vehicle.

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

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

42 39. Sales of liquid, solid or gaseous chemicals used in manufacturing,
43 processing, fabricating, mining, refining, metallurgical operations, research
44 and development and, beginning on January 1, 1999, printing, if using or
45 consuming the chemicals, alone or as part of an integrated system of
46 chemicals, involves direct contact with the materials from which the product

1 is produced for the purpose of causing or permitting a chemical or physical
2 change to occur in the materials as part of the production process. This
3 paragraph does not include chemicals that are used or consumed in activities
4 such as packaging, storage or transportation but does not affect any
5 deduction for such chemicals that is otherwise provided by this section. For
6 the purposes of this paragraph, "printing" means a commercial printing
7 operation and includes job printing, engraving, embossing, copying and
8 bookbinding.

9 40. Through December 31, 1994, personal property liquidation
10 transactions, conducted by a personal property liquidator. From and after
11 December 31, 1994, personal property liquidation transactions shall be
12 taxable under this section provided that nothing in this subsection shall be
13 construed to authorize the taxation of casual activities or transactions
14 under this chapter. For the purposes of this paragraph:

15 (a) "Personal property liquidation transaction" means a sale of
16 personal property made by a personal property liquidator acting solely on
17 behalf of the owner of the personal property sold at the dwelling of the
18 owner or on the death of any owner, on behalf of the surviving spouse, if
19 any, any devisee or heir or the personal representative of the estate of the
20 deceased, if one has been appointed.

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

23 41. Sales of food, drink and condiment for consumption within the
24 premises of any prison, jail or other institution under the jurisdiction of
25 the state department of corrections, the department of public safety, the
26 department of juvenile corrections or a county sheriff.

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

31 43. Livestock and poultry feed, salts, vitamins and other additives for
32 livestock or poultry consumption that are sold to persons who are engaged in
33 producing livestock, poultry, or livestock or poultry products or who are
34 engaged in feeding livestock or poultry commercially. For the purposes of
35 this paragraph, "poultry" includes ratites.

36 44. Sales of implants used as growth promotants and injectable
37 medicines, not already exempt under paragraph 8 of this subsection, for
38 livestock or poultry owned by or in possession of persons who are engaged in
39 producing livestock, poultry, or livestock or poultry products or who are
40 engaged in feeding livestock or poultry commercially. For the purposes of
41 this paragraph, "poultry" includes ratites.

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

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

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

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

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

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

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

24 50. Sales of alternative fuel vehicles if the vehicle was manufactured
25 as a diesel fuel vehicle and converted to operate on alternative fuel and
26 equipment that is installed in a conventional diesel fuel motor vehicle to
27 convert the vehicle to operate on an alternative fuel, as defined in section
28 1-215.

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

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

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

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

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

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

3 (b) "Curriculum design or enhancement" means planning, implementing or
4 reporting on courses of study, lessons, assignments or other learning
5 activities.

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

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

14 58. Sales or other transfers of renewable energy credits or any other
15 unit created to track energy derived from renewable energy resources. For
16 the purposes of this paragraph, "renewable energy credit" means a unit
17 created administratively by the corporation commission or governing body of a
18 public power utility to track kilowatt hours of electricity derived from a
19 renewable energy resource or the kilowatt hour equivalent of conventional
20 energy resources displaced by distributed renewable energy resources.

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

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

36 1. Machinery, or equipment, used directly in manufacturing,
37 processing, fabricating, job printing, refining or metallurgical operations.
38 The terms "manufacturing", "processing", "fabricating", "job printing",
39 "refining" and "metallurgical" as used in this paragraph refer to and include
40 those operations commonly understood within their ordinary meaning.
41 "Metallurgical operations" includes leaching, milling, precipitating,
42 smelting and refining.

43 2. Mining machinery, or equipment, used directly in the process of
44 extracting ores or minerals from the earth for commercial purposes, including
45 equipment required to prepare the materials for extraction and handling,
46 loading or transporting such extracted material to the surface. "Mining"

1 includes underground, surface and open pit operations for extracting ores and
2 minerals.

3 3. Tangible personal property sold to persons engaged in business
4 classified under the telecommunications classification and consisting of
5 central office switching equipment, switchboards, private branch exchange
6 equipment, microwave radio equipment and carrier equipment including optical
7 fiber, coaxial cable and other transmission media which are components of
8 carrier systems.

9 4. Machinery, equipment or transmission lines used directly in
10 producing or transmitting electrical power, but not including distribution.
11 Transformers and control equipment used at transmission substation sites
12 constitute equipment used in producing or transmitting electrical power.

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

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

20 7. Aircraft, navigational and communication instruments and other
21 accessories and related equipment sold to:

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

28 (b) Any foreign government.

29 (c) Persons who are not residents of this state and who will not use
30 such property in this state other than in removing such property from this
31 state. This subdivision also applies to corporations that are not
32 incorporated in this state, regardless of maintaining a place of business in
33 this state, if the principal corporate office is located outside this state
34 and the property will not be used in this state other than in removing the
35 property from this state.

36 8. Machinery, tools, equipment and related supplies used or consumed
37 directly in repairing, remodeling or maintaining aircraft, aircraft engines
38 or aircraft component parts by or on behalf of a certificated or licensed
39 carrier of persons or property.

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

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

45 11. Buses or other urban mass transit vehicles which are used directly
46 to transport persons or property for hire or pursuant to a governmentally

1 adopted and controlled urban mass transportation program and which are sold
2 to bus companies holding a federal certificate of convenience and necessity
3 or operated by any city, town or other governmental entity or by any person
4 contracting with such governmental entity as part of a governmentally adopted
5 and controlled program to provide urban mass transportation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

36 19. Machinery and equipment that are sold to a person engaged in the
37 commercial production of livestock, livestock products or agricultural,
38 horticultural, viticultural or floricultural crops or products in this state
39 and that are used directly and primarily to prevent, monitor, control or
40 reduce air, water or land pollution.

41 20. Machinery or equipment that enables a television station to
42 originate and broadcast or to receive and broadcast digital television
43 signals and that was purchased to facilitate compliance with the
44 telecommunications act of 1996 (P.L. 104-104; 110 Stat. 56; 47 United States
45 Code section 336) and the federal communications commission order issued

1 April 21, 1997 (47 Code of Federal Regulations part 73). This paragraph does
2 not exempt any of the following:

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

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

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

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

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

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

22 2. Janitorial equipment and hand tools.

23 3. Office equipment, furniture and supplies.

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

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

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

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

34 D. In addition to the deductions from the tax base prescribed by
35 subsection A of this section, there shall be deducted from the tax base the
36 gross proceeds of sales or gross income derived from sales of machinery,
37 equipment, materials and other tangible personal property used directly and
38 predominantly to construct a qualified environmental technology
39 manufacturing, producing or processing facility as described in section
40 41-1514.02. This subsection applies for ten full consecutive calendar or
41 fiscal years after the start of initial construction.

42 E. In computing the tax base, gross proceeds of sales or gross income
43 from retail sales of heavy trucks and trailers does not include any amount
44 attributable to federal excise taxes imposed by 26 United States Code section
45 4051.

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

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

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

17 I. A person who engages in manufacturing, baling, crating, boxing,
18 barreling, canning, bottling, sacking, preserving, processing or otherwise
19 preparing for sale or commercial use any livestock, agricultural or
20 horticultural product or any other product, article, substance or commodity
21 and who sells the product of such business at retail in this state is deemed,
22 as to such sales, to be engaged in business classified under the retail
23 classification. This subsection does not apply to businesses classified
24 under the:

- 25 1. Transporting classification.
- 26 2. Utilities classification.
- 27 3. Telecommunications classification.
- 28 4. Pipeline classification.
- 29 5. Private car line classification.
- 30 6. Publication classification.
- 31 7. Job printing classification.
- 32 8. Prime contracting classification.
- 33 9. Owner builder sales classification.
- 34 10. Restaurant classification.

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

- 37 1. Sales made directly to the United States government or its
38 departments or agencies by a manufacturer, modifier, assembler or repairer.
- 39 2. Sales made directly to a manufacturer, modifier, assembler or
40 repairer if such sales are of any ingredient or component part of products
41 sold directly to the United States government or its departments or agencies
42 by the manufacturer, modifier, assembler or repairer.

43 3. Overhead materials or other tangible personal property that is used
44 in performing a contract between the United States government and a
45 manufacturer, modifier, assembler or repairer, including property used in
46 performing a subcontract with a government contractor who is a manufacturer,

1 modifier, assembler or repairer, to which title passes to the government
2 under the terms of the contract or subcontract.

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

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

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

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

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

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

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

27 O. In computing the tax base in the case of the sale or transfer of
28 wireless telecommunications equipment as an inducement to a customer to enter
29 into or continue a contract for telecommunications services that are taxable
30 under section 42-5064, gross proceeds of sales or gross income does not
31 include any sales commissions or other compensation received by the retailer
32 as a result of the customer entering into or continuing a contract for the
33 telecommunications services.

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

39 Q. Retail sales of prepaid calling cards or prepaid authorization
40 numbers for telecommunications services, including sales of reauthorization
41 of a prepaid card or authorization number, are subject to tax under this
42 section.

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

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

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

9 S. If a seller is entitled to a deduction pursuant to subsection B,
10 paragraph 15, subdivision (b) of this section, the department may require the
11 purchaser to establish that the requirements of subsection B, paragraph 15,
12 subdivision (b) of this section have been satisfied. If the purchaser cannot
13 establish that the requirements of subsection B, paragraph 15, subdivision
14 (b) of this section have been satisfied, the purchaser is liable in an amount
15 equal to any tax, penalty and interest which the seller would have been
16 required to pay under article 1 of this chapter if the seller had not made a
17 deduction pursuant to subsection B, paragraph 15, subdivision (b) of this
18 section. Payment of the amount under this subsection exempts the purchaser
19 from liability for any tax imposed under article 4 of this chapter and
20 related to the tangible personal property purchased. The amount shall be
21 treated as transaction privilege tax to the purchaser and as tax revenues
22 collected from the seller to designate the distribution base pursuant to
23 section 42-5029.

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

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

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

32 U. In computing the tax base for the sale of a motor vehicle to a
33 nonresident of this state, if the purchaser's state of residence allows a
34 corresponding use tax exemption to the tax imposed by article 1 of this
35 chapter and the rate of the tax in the purchaser's state of residence is
36 lower than the rate prescribed in article 1 of this chapter or if the
37 purchaser's state of residence does not impose an excise tax, and the
38 nonresident has secured a special ninety day nonresident registration permit
39 for the vehicle as prescribed by sections 28-2154 and 28-2154.01, there shall
40 be deducted from the tax base a portion of the gross proceeds or gross income
41 from the sale so that the amount of transaction privilege tax that is paid in
42 this state is equal to the excise tax that is imposed by the purchaser's
43 state of residence on the nonexempt sale or use of the motor vehicle.

44 V. For the purposes of this section:

45 1. "Aircraft" includes:

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

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

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

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

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

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

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

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

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

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

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

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

44 42-5075. Prime contracting classification; exemptions;
45 definitions

1 A. The prime contracting classification is comprised of the business
2 of prime contracting and dealership of manufactured buildings. Sales for
3 resale to another dealership of manufactured buildings are not subject to
4 tax. Sales for resale do not include sales to a lessor of manufactured
5 buildings. The sale of a used manufactured building is not taxable under
6 this chapter. The proceeds from alteration and repairs to a used
7 manufactured building are taxable under this section.

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

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

14 2. Sales and installation of groundwater measuring devices required
15 under section 45-604 and groundwater monitoring wells required by law,
16 including monitoring wells installed for acquiring information for a permit
17 required by law.

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

23 4. The gross proceeds of sales or gross income received from a
24 contract entered into for the construction, alteration, repair, addition,
25 subtraction, improvement, movement, wrecking or demolition of any building,
26 highway, road, railroad, excavation, manufactured building or other
27 structure, project, development or improvement located in a military reuse
28 zone for providing aviation or aerospace services or for a manufacturer,
29 assembler or fabricator of aviation or aerospace products within an active
30 military reuse zone after the zone is initially established or renewed under
31 section 41-1531. To be eligible to qualify for this deduction, before
32 beginning work under the contract, the prime contractor must have applied for
33 a letter of qualification from the department of revenue.

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

43 6. The gross proceeds of sales or gross income from a contract to
44 provide for one or more of the following actions, or a contract for site
45 preparation, constructing, furnishing or installing machinery, equipment or
46 other tangible personal property, including structures necessary to protect

1 exempt incorporated materials or installed machinery or equipment, and
2 tangible personal property incorporated into the project, to perform one or
3 more of the following actions in response to a release or suspected release
4 of a hazardous substance, pollutant or contaminant from a facility to the
5 environment, unless the release was authorized by a permit issued by a
6 governmental authority:

7 (a) Actions to monitor, assess and evaluate such a release or a
8 suspected release.

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

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

14 (d) Pumping and treatment or in situ treatment of contaminated
15 groundwater or surface water to reduce the concentration or toxicity of a
16 contaminant.

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

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

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

45 (a) To be incorporated into real property.

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

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

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

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

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

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

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

13 9. The gross proceeds of sales or gross income received from a
14 contract for the construction of an environmentally controlled facility for
15 the raising of poultry for the production of eggs and the sorting, cooling
16 and packaging of eggs.

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

26 11. The gross proceeds of sales or gross income that is derived from
27 the installation, assembly, repair or maintenance of clean rooms that are
28 deducted from the tax base of the retail classification pursuant to section
29 42-5061, subsection B, paragraph 16.

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

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

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

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

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

8 17. The gross proceeds of sales or gross income received from contracts
9 entered into before July 1, 2006 for constructing a state university research
10 infrastructure project if the project has been reviewed by the joint
11 committee on capital review before the university enters into the
12 construction contract for the project. For the purposes of this paragraph,
13 "research infrastructure" has the same meaning prescribed in section 15-1670.

14 18. The gross proceeds of sales or gross income received from a
15 contract for the construction of any building, or other structure, project,
16 development or improvement owned by a qualified business under section
17 41-1516 for harvesting or processing qualifying forest products removed from
18 qualifying projects as defined in section 41-1516 if actual construction
19 begins before January 1, 2024. To qualify for this deduction, the prime
20 contractor must obtain a letter of qualification from the Arizona commerce
21 authority before beginning work under the contract.

22 19. Any amount of the gross proceeds of sales or gross income
23 attributable to development fees that are incurred in relation to a contract
24 for construction, development or improvement of real property and that are
25 paid by a prime contractor or subcontractor. For the purposes of this
26 paragraph:

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

29 (b) The attributable amount is equal to the total amount of
30 development fees paid by the prime contractor or subcontractor, and the total
31 development fees credited in exchange for the construction of, contribution
32 to or dedication of real property for providing public infrastructure, public
33 safety or other public services necessary to the development. The real
34 property must be the subject of the development fees.

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

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

41 1. A prime contractor may establish entitlement to the deduction by
42 both:

43 (a) Marking the invoice for the transaction to indicate that the gross
44 proceeds of sales or gross income derived from the transaction was deducted
45 from the base.

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

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

12 3. The department may prescribe a form for the certificate described
13 in paragraph 1, subdivision (b) of this subsection. The department may also
14 adopt rules that describe the transactions with respect to which a person is
15 not entitled to rely solely on the information contained in the certificate
16 provided in paragraph 1, subdivision (b) of this subsection but must instead
17 obtain such additional information as required in order to be entitled to the
18 deduction.

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

33 D. Subcontractors or others who perform services in respect to any
34 improvement, building, highway, road, railroad, excavation, manufactured
35 building or other structure, project, development or improvement are not
36 subject to tax if they can demonstrate that the job was within the control of
37 a prime contractor or contractors or a dealership of manufactured buildings
38 and that the prime contractor or dealership is liable for the tax on the
39 gross income, gross proceeds of sales or gross receipts attributable to the
40 job and from which the subcontractors or others were paid.

41 E. Amounts received by a contractor for a project are excluded from
42 the contractor's gross proceeds of sales or gross income derived from the
43 business if the person who hired the contractor executes and provides a
44 certificate to the contractor stating that the person providing the
45 certificate is a prime contractor and is liable for the tax under article 1
46 of this chapter. The department shall prescribe the form of the certificate.

1 If the contractor has reason to believe that the information contained on the
2 certificate is erroneous or incomplete, the department may disregard the
3 certificate. If the person who provides the certificate is not liable for
4 the tax as a prime contractor, that person is nevertheless deemed to be the
5 prime contractor in lieu of the contractor and is subject to the tax under
6 this section on the gross receipts or gross proceeds received by the
7 contractor.

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

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

19 H. For the purposes of section 42-5032.02, from and after September
20 30, 2013, the department shall separately account for revenues reported and
21 collected under the prime contracting classification from any prime
22 contractor engaged in the construction of any buildings and associated
23 improvements that are for the benefit of a manufacturing facility. For the
24 purposes of this subsection, "associated improvements" and "manufacturing
25 facility" have the same meanings prescribed in section 42-5032.02.

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

36 J. The gross proceeds of sales or gross income derived from
37 landscaping activities are subject to tax under this section. Landscaping
38 includes installing lawns, grading or leveling ground, installing gravel or
39 boulders, planting trees and other plants, felling trees, removing or
40 mulching tree stumps, removing other imbedded plants, building or modifying
41 irrigation berms, repairing sprinkler or watering systems, installing
42 railroad ties and installing underground sprinkler or watering systems.

43 K. The portion of gross proceeds of sales or gross income attributable
44 to the actual direct costs of providing architectural or engineering services
45 that are incorporated in a contract is not subject to tax under this section.
46 For the purposes of this subsection, "direct costs" means the portion of the

1 actual costs that are directly expended in providing architectural or
2 engineering services.

3 L. Operating a landfill or a solid waste disposal facility is not
4 subject to taxation under this section, including filling, compacting and
5 creating vehicle access to and from cell sites within the landfill.
6 Constructing roads to a landfill or solid waste disposal facility and
7 constructing cells within a landfill or solid waste disposal facility may be
8 deemed prime contracting under this section.

9 M. The following apply to manufactured buildings:

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

13 2. For sales in this state where the dealership of manufactured
14 buildings does not contract to deliver the building to a setup site or does
15 not perform the setup, the taxable situs is the location of the dealership
16 where the building is delivered to the buyer.

17 3. For sales in this state where the dealership of manufactured
18 buildings contracts to deliver the building to a setup site that is outside
19 this state, the situs is outside this state and the transaction is excluded
20 from tax.

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

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

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

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

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

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

45 (ii) The amount of an adjustment, if any, to the guaranteed maximum
46 price as set in the contract for modification work. For the purposes of this

1 item, "guaranteed maximum price" means the amount guaranteed to be the
2 maximum amount due to a prime contractor for the performance of all
3 modification work for the project.

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

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

11 (e) Inspection to determine the dates of substantial completion or
12 final completion.

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

19 (g) Preparation of status reports after modification work has begun
20 detailing the progress of work performed, including preparation of any of the
21 following:

22 (i) Master schedule updates.

23 (ii) Modification work cash flow projection updates.

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

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

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

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

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

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

36 2. "Design phase services" means services for developing and
37 completing a design for a project that are not construction phase services,
38 including the following:

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

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

45 (c) Preparing drawings and specifications for architectural program
46 documents, schematic design documents, design development documents,

1 modification work documents or documents that identify the scope of or
2 materials for the project.

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

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

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

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

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

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

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

23 (vi) Any bond and insurance premiums.

24 (vii) Any applicable taxes.

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

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

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

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

39 0. Notwithstanding subsection P, paragraph 8 of this section, a person
40 owning real property who enters into a contract for sale of the real
41 property, who is responsible to the new owner of the property for
42 modifications made to the property in the period subsequent to the transfer
43 of title and who receives a consideration for the modifications is considered
44 a prime contractor solely for purposes of taxing the gross proceeds of sale
45 or gross income received for the modifications made subsequent to the
46 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
45 the contracting, if any, with any subcontractor or specialty contractor for
46 the completion of the contract.

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

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

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

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

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

20 9. "Sale of a used manufactured building" does not include a lease of
21 a used manufactured building.

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

23 42-5159. Exemptions

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

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

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

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

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

43 5. Motor vehicle fuel and use fuel, the sales, distribution or use of
44 which in this state is subject to the tax imposed under title 28, chapter 16,
45 article 1, use fuel which is sold to or used by a person holding a valid
46 single trip use fuel tax permit issued under section 28-5739, aviation fuel,

1 the sales, distribution or use of which in this state is subject to the tax
2 imposed under section 28-8344, and jet fuel, the sales, distribution or use
3 of which in this state is subject to the tax imposed under article 8 of this
4 chapter.

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

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

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

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

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

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

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

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

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

37 13. Tangible personal property purchased by:

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

41 (b) A hospital operated by this state or a political subdivision of
42 this state.

43 (c) A licensed nursing care institution or a licensed residential care
44 institution or a residential care facility operated in conjunction with a
45 licensed nursing care institution or a licensed kidney dialysis center, which

1 provides medical services, nursing services or health related services and is
2 not used or held for profit.

3 (d) A qualifying health care organization, as defined in section
4 42-5001, if the tangible personal property is used by the organization solely
5 to provide health and medical related educational and charitable services.

6 (e) A qualifying health care organization as defined in section
7 42-5001 if the organization is dedicated to providing educational,
8 therapeutic, rehabilitative and family medical education training for blind,
9 visually impaired and multihandicapped children from the time of birth to age
10 twenty-one.

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

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

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

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

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

29 (i) A qualifying community health center as defined in section
30 42-5001.

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

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

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

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

6 15. Tangible personal property sold by:

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

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

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

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

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

27 18. Prescription eyeglasses and contact lenses.

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

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

30 21. Durable medical equipment which has a centers for medicare and
31 medicaid services common procedure code, is designated reimbursable by
32 medicare, is prescribed by a person who is licensed under title 32, chapter
33 7, 13, 17 or 29, can withstand repeated use, is primarily and customarily
34 used to serve a medical purpose, is generally not useful to a person in the
35 absence of illness or injury and is appropriate for use in the home.

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

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

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

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

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

9 27. Lottery tickets or shares purchased pursuant to title 5, chapter
10 5.1, article 1.

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

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

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

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

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

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

33 (b) Public educational institutions.

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

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

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

44 35. Liquid, solid or gaseous chemicals used in manufacturing,
45 processing, fabricating, mining, refining, metallurgical operations, research
46 and development and, beginning on January 1, 1999, printing, if using or

1 consuming the chemicals, alone or as part of an integrated system of
2 chemicals, involves direct contact with the materials from which the product
3 is produced for the purpose of causing or permitting a chemical or physical
4 change to occur in the materials as part of the production process. This
5 paragraph does not include chemicals that are used or consumed in activities
6 such as packaging, storage or transportation but does not affect any
7 exemption for such chemicals that is otherwise provided by this section. For
8 the purposes of this paragraph, "printing" means a commercial printing
9 operation and includes job printing, engraving, embossing, copying and
10 bookbinding.

11 36. Food, drink and condiment purchased for consumption within the
12 premises of any prison, jail or other institution under the jurisdiction of
13 the state department of corrections, the department of public safety, the
14 department of juvenile corrections or a county sheriff.

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

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

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

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

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

45 40. Through December 31, 1994, tangible personal property sold pursuant
46 to a personal property liquidation transaction, as defined in section

1 42-5061. From and after December 31, 1994, tangible personal property sold
2 pursuant to a personal property liquidation transaction, as defined in
3 section 42-5061, if the gross proceeds of the sales were included in the
4 measure of the tax imposed by article 1 of this chapter or if the personal
5 property liquidation was a casual activity or transaction.

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

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

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

20 44. Alternative fuel vehicles if the vehicle was manufactured as a
21 diesel fuel vehicle and converted to operate on alternative fuel and
22 equipment that is installed in a conventional diesel fuel motor vehicle to
23 convert the vehicle to operate on an alternative fuel, as defined in section
24 1-215.

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

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

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

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

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

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

43 49. Prepared food, drink or condiment donated by a restaurant as
44 classified in section 42-5074, subsection A to a nonprofit charitable
45 organization that has qualified under section 501(c)(3) of the internal

1 revenue code and that regularly serves meals to the needy and indigent on a
2 continuing basis at no cost.

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

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

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

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

16 52. Repair parts installed in equipment used directly by a qualified
17 business under section 41-1516 in harvesting, processing or transporting
18 qualifying forest products removed from qualifying projects as defined in
19 section 41-1516.

20 53. Renewable energy credits or any other unit created to track energy
21 derived from renewable energy resources. For the purposes of this paragraph,
22 "renewable energy credit" means a unit created administratively by the
23 corporation commission or governing body of a public power entity to track
24 kilowatt hours of electricity derived from a renewable energy resource or the
25 kilowatt hour equivalent of conventional energy resources displaced by
26 distributed renewable energy resources.

27 54. 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. In addition to the exemptions allowed by subsection A of this
39 section, the following categories of tangible personal property are also
40 exempt:

41 1. Machinery, or equipment, used directly in manufacturing,
42 processing, fabricating, job printing, refining or metallurgical operations.
43 The terms "manufacturing", "processing", "fabricating", "job printing",
44 "refining" and "metallurgical" as used in this paragraph refer to and include
45 those operations commonly understood within their ordinary meaning.

1 "Metallurgical operations" includes leaching, milling, precipitating,
2 smelting and refining.

3 2. Machinery, or equipment, used directly in the process of extracting
4 ores or minerals from the earth for commercial purposes, including equipment
5 required to prepare the materials for extraction and handling, loading or
6 transporting such extracted material to the surface. "Mining" includes
7 underground, surface and open pit operations for extracting ores and
8 minerals.

9 3. Tangible personal property sold to persons engaged in business
10 classified under the telecommunications classification under section 42-5064
11 and consisting of central office switching equipment, switchboards, private
12 branch exchange equipment, microwave radio equipment and carrier equipment
13 including optical fiber, coaxial cable and other transmission media which are
14 components of carrier systems.

15 4. Machinery, equipment or transmission lines used directly in
16 producing or transmitting electrical power, but not including distribution.
17 Transformers and control equipment used at transmission substation sites
18 constitute equipment used in producing or transmitting electrical power.

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

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

26 7. Aircraft, navigational and communication instruments and other
27 accessories and related equipment sold to:

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

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

37 8. Machinery, tools, equipment and related supplies used or consumed
38 directly in repairing, remodeling or maintaining aircraft, aircraft engines
39 or aircraft component parts by or on behalf of a certificated or licensed
40 carrier of persons or property.

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

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

1 11. Buses or other urban mass transit vehicles which are used directly
2 to transport persons or property for hire or pursuant to a governmentally
3 adopted and controlled urban mass transportation program and which are sold
4 to bus companies holding a federal certificate of convenience and necessity
5 or operated by any city, town or other governmental entity or by any person
6 contracting with such governmental entity as part of a governmentally adopted
7 and controlled program to provide urban mass transportation.

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

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

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

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

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

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

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

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

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

45 (ii) Over two-thirds of the transmissions, measured in megabytes,
46 transmitted by or on behalf of those direct broadcast television or data

1 transmission services during the test period were transmitted by the facility
2 to or on behalf of those services.

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

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

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

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

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

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

38 19. Machinery and equipment that are used in the commercial production
39 of livestock, livestock products or agricultural, horticultural, viticultural
40 or floricultural crops or products in this state and that are used directly
41 and primarily to prevent, monitor, control or reduce air, water or land
42 pollution.

43 20. Machinery or equipment that enables a television station to
44 originate and broadcast or to receive and broadcast digital television
45 signals and that was purchased to facilitate compliance with the
46 telecommunications act of 1996 (P.L. 104-104; 110 Stat. 56; 47 United States

1 Code section 336) and the federal communications commission order issued
2 April 21, 1997 (47 Code of Federal Regulations part 73). This paragraph does
3 not exempt any of the following:

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

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

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

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

17 C. The exemptions provided by subsection B of this section do not
18 include:

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

23 2. Janitorial equipment and hand tools.

24 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

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

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

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

6 1. Fees charged by a municipally owned utility to persons constructing
7 residential, commercial or industrial developments or connecting residential,
8 commercial or industrial developments to a municipal utility system or
9 systems if the fees are segregated and used only for capital expansion,
10 system enlargement or debt service of the utility system or systems.

11 2. Reimbursement or contribution compensation to any person or persons
12 owning a utility system for property and equipment installed to provide
13 utility access to, on or across the land of an actual utility consumer if the
14 property and equipment become the property of the utility. This deduction
15 shall not exceed the value of such property and equipment.

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

17 1. "Aircraft" includes:

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

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

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

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

31 Sec. 8. Section 42-6004, Arizona Revised Statutes, is amended to read:

32 42-6004. Exemption from municipal tax

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

35 1. Exhibition events in this state sponsored, conducted or operated by
36 a nonprofit organization that is exempt from taxation under section
37 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the
38 organization is associated with a major league baseball team or a national
39 touring professional golfing association and no part of the organization's
40 net earnings inures to the benefit of any private shareholder or individual.

41 2. Interstate telecommunications services, which include that portion
42 of telecommunications services, such as subscriber line service, allocable by
43 federal law to interstate telecommunications service.

44 3. Sales of warranty or service contracts.

1 4. Sales of motor vehicles to nonresidents of this state for use
2 outside this state if the vendor ships or delivers the motor vehicle to a
3 destination outside this state.

4 5. Interest on finance contracts.

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

6 7. Sales of food or other items purchased with United States
7 department of agriculture food stamp coupons issued under the food stamp act
8 of 1977 (P.L. 95-113; 91 Stat. 958) or food instruments issued under section
9 17 of the child nutrition act (P.L. 95-627; 92 Stat. 3603; P.L. 99-661,
10 section 4302; 42 United States Code section 1786) but may impose such a tax
11 on other sales of food. If a city, town or special taxing district exempts
12 sales of food from its tax or imposes a different transaction privilege rate
13 on the gross proceeds of sales or gross income from sales of food and nonfood
14 items, it shall use the definition of food prescribed by rule adopted by the
15 department pursuant to section 42-5106.

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

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

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

26 9. The gross proceeds of sales or gross income retained by the Arizona
27 exposition and state fair board from ride ticket sales at the annual Arizona
28 state fair.

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

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

34 (a) "Affiliated corporation" means a corporation that meets one of the
35 following conditions:

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

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

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

43 (iv) The corporation is at least eighty per cent owned or controlled
44 by a corporation that is at least eighty per cent owned or controlled by a
45 reciprocal insurer.

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

4 (c) "Reciprocal insurer" has the same meaning prescribed in section
5 20-762.

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

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

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

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

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

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

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

39 4. Incarcerating or detaining in a privately operated prison, jail or
40 detention facility prisoners who are under the jurisdiction of the United
41 States, this state or any other state or a political subdivision of this
42 state or of any other state.

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

45 6. Any amount attributable to development fees that are incurred in
46 relation to the construction, development or improvement of real property and

1 paid by the taxpayer as defined in the model city tax code or by a contractor
2 providing services to the taxpayer. For the purposes of this paragraph:

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

5 (b) The attributable amount is equal to the total amount of
6 development fees paid by the taxpayer or by a contractor providing services
7 to the taxpayer and the total development fees credited in exchange for the
8 construction of, contribution to or dedication of real property for providing
9 public infrastructure, public safety or other public services necessary to
10 the development. The real property must be the subject of the development
11 fees.

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

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

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

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

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

29 F. A city or town shall not levy a use tax on the storage, use or
30 consumption of tangible personal property in the city or town by a school
31 district or charter school.

32 Sec. 9. Section 43-1088, Arizona Revised Statutes, is amended to read:

33 43-1088. Credit for contribution to qualifying charitable
34 organizations; definitions

35 A. EXCEPT AS PROVIDED IN SUBSECTION B OF THIS SECTION, a credit is
36 allowed against the taxes imposed by this title for voluntary cash
37 contributions by the taxpayer or on the taxpayer's behalf pursuant to section
38 43-401, subsection G during the taxable year to a qualifying charitable
39 organization not to exceed:

40 1. Two hundred dollars in any taxable year for a single individual or
41 a head of household.

42 2. Four hundred dollars in any taxable year for a married couple
43 filing a joint return.

44 B. IF THE VOLUNTARY CASH CONTRIBUTION BY THE TAXPAYER OR ON THE
45 TAXPAYER'S BEHALF PURSUANT TO SECTION 43-401, SUBSECTION G IS TO A QUALIFYING
46 FOSTER CARE CHARITABLE ORGANIZATION, THE CREDIT SHALL NOT EXCEED:

1 1. FOUR HUNDRED DOLLARS IN ANY TAXABLE YEAR FOR A SINGLE INDIVIDUAL OR
2 A HEAD OF HOUSEHOLD.

3 2. EIGHT HUNDRED DOLLARS IN ANY TAXABLE YEAR FOR A MARRIED COUPLE
4 FILING A JOINT RETURN.

5 ~~B.~~ C. A husband and wife who file separate returns for a taxable year
6 in which they could have filed a joint return may each claim only one-half of
7 the tax credit that would have been allowed for a joint return.

8 ~~C.~~ D. If the allowable tax credit exceeds the taxes otherwise due
9 under this title on the claimant's income, or if there are no taxes due under
10 this title, the taxpayer may carry forward the amount of the claim not used
11 to offset the taxes under this title for not more than five consecutive
12 taxable years' income tax liability.

13 ~~D.~~ E. The credit allowed by this section:

14 1. Is allowed only if the taxpayer itemizes deductions pursuant to
15 section 43-1042 for the taxable year.

16 2. Is in lieu of a deduction pursuant to section 170 of the internal
17 revenue code and taken for state tax purposes.

18 ~~E.~~ F. Taxpayers taking a credit authorized by this section shall
19 provide the name of the qualifying charitable organization and the amount of
20 the contribution to the department of revenue on forms provided by the
21 department.

22 ~~F.~~ G. A qualifying charitable organization shall provide the
23 department of revenue with a written certification that it meets all criteria
24 to be considered a qualifying charitable organization. The organization
25 shall also notify the department of any changes that may affect the
26 qualifications under this section.

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

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

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

37 (a) Receive temporary assistance for needy families benefits.

38 (b) Are low income residents of this state.

39 (c) Are chronically ill or physically disabled children.

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

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

4 ~~H.~~ I. The department shall review each written certification and
5 determine whether the organization meets all the criteria to be considered a
6 qualifying charitable organization and notify the organization of its
7 determination. The department may also periodically request recertification
8 from the organization. The department shall compile and make available to
9 the public a list of the qualifying charitable organizations.

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

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

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

15 3. "Qualifying charitable organization" means a charitable
16 organization that is exempt from federal income taxation under section
17 501(c)(3) of the internal revenue code or is a designated community action
18 agency that receives community services block grant program monies pursuant
19 to 42 United States Code section 9901. The organization must spend at least
20 fifty per cent of its budget on services to residents of this state who
21 receive temporary assistance for needy families benefits or low income
22 residents of this state and their households or to chronically ill or
23 physically disabled children who are residents of this state. Taxpayers
24 choosing to make donations through an umbrella charitable organization that
25 collects donations on behalf of member charities shall designate that the
26 donation be directed to a member charitable organization that would qualify
27 under this section on a stand-alone basis. Qualifying charitable
28 organization does not include any entity that provides, pays for or provides
29 coverage of abortions or that financially supports any other entity that
30 provides, pays for or provides coverage of abortions.

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

37 ~~4.~~ 5. "Services" means cash assistance, medical care, child care,
38 food, clothing, shelter, job placement and job training services or any other
39 assistance that is reasonably necessary to meet immediate basic needs and
40 that is provided and used in this state.

41 Sec. 10. Racing and boxing fees; increases; rule making
42 exemption

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

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

4 Sec. 11. Fees for providing services; increases; intent;
5 exemption from rule making

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

9 1. Office of pest management.

10 2. Radiation regulatory agency.

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

14 1. Office of pest management \$525,000.

15 2. Radiation regulatory agency \$561,000.

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

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

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

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

27 A. Notwithstanding any other law, the director of the Arizona
28 department of agriculture, with the assistance of the agriculture advisory
29 council, may continue existing fees from fiscal year 2012-2013 in fiscal year
30 2013-2014 for services provided in fiscal years 2013-2014.

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

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

39 Sec. 13. Department of insurance; fee and assessment adjustment
40 suspension

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

1 Sec. 14. County fiscal obligations: report

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

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

14 Sec. 15. Exemption from rule making

15 For the purposes of implementing section 41-1519, Arizona Revised
16 Statutes, as added by this act, the Arizona commerce authority and the
17 department of revenue are exempt from the rule making requirements of title
18 41, chapter 6, Arizona Revised Statutes, for one year after the effective
19 date of this act.

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

21 A. Notwithstanding section 6-135.01, Arizona Revised Statutes, in
22 fiscal year 2013-2014, the superintendent of the department of financial
23 institutions may use monies in the department receivership revolving fund
24 established by section 6-135.01, Arizona Revised Statutes, for expenditures
25 on an electronic licensing system.

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

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

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

35 1. The arts fund established by section 41-983, Arizona Revised
36 Statutes.

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

39 Sec. 18. Appropriation; Arizona state parks board; fiscal year
40 2013-2014

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

H.B. 2009

1 Sec. 19. Retroactivity
2 Section 43-1088, Arizona Revised Statutes, as amended by this act,
3 applies retroactively to taxable years beginning from and after December 31,
4 2012.

APPROVED BY THE GOVERNOR JUNE 17, 2013.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 17, 2013.