

State of Arizona
House of Representatives
Fifty-first Legislature
Second Regular Session
2014

HB 2522

Introduced by
Representative Gray

AN ACT

AMENDING SECTION 15-448, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, FIRST REGULAR SESSION, CHAPTER 10, SECTION 1 AND LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 3, SECTION 8; REPEALING SECTION 15-448, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 66, SECTION 1; AMENDING SECTION 28-6991, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 132, SECTION 6 AND CHAPTER 167, SECTION 6; REPEALING SECTION 28-6991, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 129, SECTION 21; AMENDING SECTION 41-619.51, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 128, SECTION 11; REPEALING SECTION 41-619.51, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 129, SECTION 24; AMENDING SECTION 41-1005, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 10, SECTION 10; REPEALING LAWS 2013, CHAPTER 231, SECTION 3; REPEALING SECTION 41-1005, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 231, SECTION 4; AMENDING SECTION 41-1758, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 128, SECTION 12 AND CHAPTER 174, SECTION 2; REPEALING SECTION 41-1758, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 129, SECTION 25; AMENDING SECTION 41-1758.01, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 128, SECTION 13 AND CHAPTER 174, SECTION 3; REPEALING SECTION 41-1758.01, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 129, SECTION 26; AMENDING SECTION 42-2003, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, FIRST REGULAR SESSION, CHAPTER 40, SECTION 2, CHAPTER 114, SECTION 6 AND CHAPTER 222, SECTION 3 AND LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 9, SECTION 3; REPEALING SECTION 42-2003, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 2; AMENDING SECTION 42-5009, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 40, SECTION 3; REPEALING SECTION 42-5009, ARIZONA REVISED STATUTES,

AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 5; AMENDING SECTION 42-5061, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, FIRST REGULAR SESSION, CHAPTER 120, SECTION 1 AND CHAPTER 233, SECTION 1 AND LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 9, SECTION 5; REPEALING SECTION 42-5061, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 13; AMENDING SECTION 42-5071, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 114, SECTION 7 AND CHAPTER 236, SECTION 2; REPEALING SECTION 42-5071, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 14; AMENDING SECTION 42-5075, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, FIRST REGULAR SESSION, CHAPTER 153, SECTION 1 AND LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 9, SECTION 6; REPEALING SECTION 42-5075, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 15; AMENDING SECTION 42-5159, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 9, SECTION 7; REPEALING SECTION 42-5159, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 17; AMENDING SECTION 42-6004, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, FIRST REGULAR SESSION, CHAPTER 27, SECTION 2, CHAPTER 120, SECTION 2, CHAPTER 153, SECTION 2 AND CHAPTER 236, SECTION 6 AND LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 9, SECTION 8; REPEALING SECTION 42-6004, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 20; RELATING TO MULTIPLE, DEFECTIVE AND CONFLICTING LEGISLATIVE DISPOSITIONS OF STATUTORY TEXT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Purpose

3 1. Section 15-448, Arizona Revised Statutes, was amended by Laws 2013,
4 first regular session, chapter 10, section 1 and chapter 66, section 1 and
5 Laws 2013, first special session, chapter 3, section 8. The Laws 2013, first
6 regular session, chapter 66 version could not be blended because of the
7 delayed effective date. In order to combine these versions, this act amends
8 the blend version of section 15-448, Arizona Revised Statutes, to incorporate
9 the amendments made by Laws 2013, chapter 66 and the chapter 66 version is
10 repealed.

11 2. Section 28-6991, Arizona Revised Statutes, was amended by Laws
12 2013, chapter 129, section 21, chapter 132, section 6 and chapter 167,
13 section 6. The chapter 129 version could not be blended because of the
14 delayed effective date. In order to combine these versions, this act amends
15 the blend version of section 28-6991, Arizona Revised Statutes, to
16 incorporate the amendments made by Laws 2013, chapter 129 and the chapter 129
17 version is repealed.

18 3. Section 41-619.51, Arizona Revised Statutes, was amended by Laws
19 2013, chapter 128, section 11 and chapter 129, section 24. The chapter 129
20 version could not be blended because of the delayed effective date. In order
21 to combine these versions, this act amends the Laws 2013, chapter 128 version
22 of section 41-619.51, Arizona Revised Statutes, to incorporate the amendments
23 made by Laws 2013, chapter 129 and the chapter 129 version is repealed.

24 4. Section 41-1005, Arizona Revised Statutes, was amended by Laws
25 2013, first regular session, chapter 197, section 24 and chapter 231, section
26 4 and Laws 2013, first special session, chapter 10, section 10. The Laws
27 2013, first regular session, chapter 231 version could not be blended because
28 it failed to amend the Laws 2013, first regular session, chapter 197 version,
29 which became effective on the governor's signature pursuant to article IX,
30 section 22, Constitution of Arizona, and therefore did not comply with
31 article IV, part 2, section 14, Constitution of Arizona. To accomplish the
32 intent of these enactments, this act amends the Laws 2013, first special
33 session, chapter 10 version of section 41-1005, Arizona Revised Statutes, to
34 incorporate the amendments made by Laws 2013, first regular session, chapter
35 231 and the chapter 231 version is repealed.

36 5. Laws 2013, chapter 231, section 3 attempted to repeal the version
37 of section 41-1005, as amended by Senate Bill 1223, section 24, Fifty-first
38 Legislature, First Regular Session. However, to repeal the changes made in
39 Senate Bill 1223, the section must be set forth and published at full length
40 pursuant to article IV, part 2, section 14, Constitution of Arizona. In
41 order to correct a potentially defective enactment, this act repeals Laws
42 2013, chapter 231, section 3.

43 6. Section 41-1758, Arizona Revised Statutes, was amended by Laws
44 2013, chapter 128, section 12, chapter 129, section 25 and chapter 174,
45 section 2. The chapter 129 version could not be blended because of the

1 delayed effective date. In order to combine these versions, this act amends
2 the blend version of section 41-1758, Arizona Revised Statutes, to
3 incorporate the amendments made by Laws 2013, chapter 129 and the chapter 129
4 version is repealed.

5 7. Section 41-1758.01, Arizona Revised Statutes, was amended by Laws
6 2013, chapter 128, section 13, chapter 129, section 26 and chapter 174,
7 section 3. The chapter 129 version could not be blended because of the
8 delayed effective date. In order to combine these versions, this act amends
9 the blend version of section 41-1758.01, Arizona Revised Statutes, to
10 incorporate the amendments made by Laws 2013, chapter 129 and the chapter 129
11 version is repealed.

12 8. Section 42-2003, Arizona Revised Statutes, was amended by Laws
13 2013, first regular session, chapter 40, section 2, chapter 114, section 6,
14 chapter 222, section 3 and chapter 255, section 2 and Laws 2013, first
15 special session, chapter 9, section 3. The Laws 2013, chapter 255 version
16 could not be blended because of the delayed effective date. In order to
17 combine these versions, this act amends the blend version of section 42-2003,
18 Arizona Revised Statutes, to incorporate the amendments made by Laws 2013,
19 chapter 255 and the chapter 255 version is repealed.

20 9. Section 42-5009, Arizona Revised Statutes, was amended by Laws
21 2013, chapter 40, section 3 and chapter 255, section 5. The chapter 255
22 version could not be blended because of the delayed effective date. In order
23 to combine these versions, this act amends the Laws 2013, chapter 40 version
24 of section 42-5009, Arizona Revised Statutes, to incorporate the amendments
25 made by Laws 2013, chapter 255 and the chapter 255 version is repealed.

26 10. Section 42-5061, Arizona Revised Statutes, was amended by Laws
27 2013, first regular session, chapter 120, section 1, chapter 233, section 1
28 and chapter 255, section 13 and Laws 2013, first special session, chapter 9,
29 section 5. The Laws 2013, chapter 255 version could not be blended because
30 of the delayed effective date. In order to combine these versions, this act
31 amends the blend version of section 42-5061, Arizona Revised Statutes, to
32 incorporate the amendments made by Laws 2013, chapter 255 and the chapter 255
33 version is repealed.

34 11. Section 42-5071, Arizona Revised Statutes, was amended by Laws
35 2013, chapter 114, section 7, chapter 236, section 2 and chapter 255,
36 section 14. The chapter 255 version could not be blended because of the
37 delayed effective date. In order to combine these versions, this act amends
38 the blend version of section 42-5071, Arizona Revised Statutes, to
39 incorporate the amendments made by Laws 2013, chapter 255 and the chapter 255
40 version is repealed.

41 12. Section 42-5075, Arizona Revised Statutes, was amended by Laws
42 2013, first regular session, chapter 153, section 1 and chapter 255, section
43 15 and Laws 2013, first special session, chapter 9, section 6. The Laws
44 2013, chapter 255 version could not be blended because of the delayed
45 effective date. In order to combine these versions, this act amends the

1 blend version of section 42-5075, Arizona Revised Statutes, to incorporate
2 the amendments made by Laws 2013, chapter 255 and the chapter 255 version is
3 repealed.

4 13. Section 42-5159, Arizona Revised Statutes, was amended by Laws
5 2013, first regular session, chapter 255, section 17 and Laws 2013, first
6 special session, chapter 9, section 7. The Laws 2013, chapter 255 version
7 could not be blended because of the delayed effective date. In order to
8 combine these versions, this act amends the Laws 2013, first special session,
9 chapter 9 version of section 42-5159, Arizona Revised Statutes, to
10 incorporate the amendments made by Laws 2013, chapter 255 and the chapter 255
11 version is repealed.

12 14. Section 42-6004, Arizona Revised Statutes, was amended by Laws
13 2013, first regular session, chapter 27, section 2, chapter 120, section 2,
14 chapter 153, section 2, chapter 236, section 6 and chapter 255, section 20
15 and Laws 2013, first special session, chapter 9, section 8. The Laws 2013,
16 chapter 255 version could not be blended because of the delayed effective
17 date. In order to combine these versions, this act amends the blend version
18 of section 42-6004, Arizona Revised Statutes, to incorporate the amendments
19 made by Laws 2013, chapter 255 and the chapter 255 version is repealed.

20 Sec. 2. Section 15-448, Arizona Revised Statutes, as amended by Laws
21 2013, first regular session, chapter 10, section 1 and Laws 2013, first
22 special session, chapter 3, section 8, is amended to read:

23 15-448. Formation of unified school district; board membership;
24 budget

25 A. One or more common school districts and a high school district with
26 coterminous or overlapping boundaries may establish a unified school district
27 pursuant to this section. Unification of a common school district and a high
28 school district is not authorized by this section if any of the high school
29 facilities owned by the new unified school district would not be located
30 within its boundaries.

31 B. Formation of a unified school district shall be by resolutions
32 approved by the governing boards of the unifying school districts and
33 certification of approval by such governing boards to the county school
34 superintendent of the county or counties in which such individual school
35 districts are located. A common school district and high school district
36 that unify pursuant to this section shall not exclude from the same
37 unification a common school district that has overlapping boundaries with the
38 high school district and that wishes to unify. Except as provided in
39 subsection D of this section, the formation of a unified school district
40 shall become effective on July 1 of the next fiscal year following the
41 certification of the county school superintendent. An election shall not be
42 required to form a unified school district pursuant to this section. At
43 least ninety days before the governing boards vote on the resolutions
44 prescribed in this subsection, the governing boards shall mail a pamphlet to
45 each household with one or more qualified electors that shall list the full

1 cash value, the assessed valuation and the estimated amount of the primary
2 property taxes and the estimated amount of the secondary property taxes under
3 the proposed unification for each of the following:

4 1. An owner occupied residence whose assessed valuation is the average
5 assessed valuation of property classified as class three, as prescribed by
6 section 42-12003 for the current year in the school district.

7 2. An owner occupied residence whose assessed valuation is one-half of
8 the assessed valuation of the residence in paragraph 1 of this subsection.

9 3. An owner occupied residence whose assessed valuation is twice the
10 assessed valuation of the residence in paragraph 1 of this subsection.

11 4. A business whose assessed valuation is the average of the assessed
12 valuation of property classified as class one, as prescribed by section
13 42-12001, paragraphs 12 and 13 for the current year in the school district.

14 C. The boundaries of the unified school district shall be the
15 boundaries of the former common school district or districts that unify. The
16 boundaries of the common school district or districts that are not unifying
17 remain unchanged. The county school superintendent, immediately on receipt
18 of the approved resolutions prescribed by subsection B of this section, shall
19 file with the board of supervisors, the county assessor and the
20 superintendent of public instruction a transcript of the boundaries of the
21 unified school district. The boundaries shown in the transcript shall become
22 the legal boundaries of the school districts on July 1 of the next fiscal
23 year.

24 D. On formation of the unified school district, the governing board
25 consists of the members of the former school district governing boards and
26 the members shall hold office until January 1 following the first general
27 election after formation of the district. For the purpose of all actions
28 that are necessary for the operation of the unified district for the next
29 year, the unified school district governing board is constituted and may
30 conduct meetings after the adoption of the unification resolutions prescribed
31 by subsection B of this section.

32 E. Beginning on January 1 following the first general election after
33 formation of the unified school district, the governing board shall have five
34 members. At the first general election after the formation of the district,
35 members shall be elected in the following manner:

36 1. The three candidates receiving the highest, the second highest and
37 the third highest number of votes shall be elected to four year terms.

38 2. The two candidates receiving the fourth and fifth highest number of
39 votes shall be elected to two year terms. Thereafter all offices shall have
40 four year terms.

41 F. The new unified school district may appoint a resident of the
42 remaining common school district to serve as a nonvoting member of the
43 governing board to represent the interests of the high school pupils who
44 reside in the remaining common school district and who attend school in the
45 unified school district.

1 G. For the first year of operation, the unified school district
2 governing board shall prepare a consolidated budget based on the student
3 counts from the school districts comprising the unified school district,
4 except that for purposes of determining budget amounts and equalization
5 assistance, the student count for the former high school district shall not
6 include the prior year average daily membership attributable to high school
7 pupils from a common school district that was part of the former high school
8 district but is not part of the unified school district. The unified school
9 district shall charge the remaining common school district tuition for these
10 pupils as provided in subsection J of this section. The unified school
11 district may budget for unification assistance pursuant to section 15-912.01.

12 H. The governing board of the unified school district shall prepare
13 policies, curricula and budgets for the district. These policies shall
14 require that:

15 1. The base compensation of each certificated teacher for the first
16 year of operation of the new unified school district shall not be lower than
17 the certificated teacher's base compensation for the prior year in the
18 previously existing school districts.

19 2. The certificated teacher's years of employment in the previously
20 existing school districts shall be included in determining the teacher's
21 certificated years of employment in the new unified school district.

22 I. On formation of a unified school district, any existing override
23 authorization of the former high school district and the former common school
24 district or districts shall continue until expiration based on the revenue
25 control limit of the school district or districts that had override
26 authorization prior to unification. The unified school district may request
27 new override authorization for the budget year as provided in section 15-481
28 based on the combined revenue control limit of the new district after
29 unification. If the unified school district's request for override
30 authorization is approved, it will replace any existing override for the
31 budget year.

32 J. The unified school district shall admit high school pupils who
33 reside in a common school district that was located within the boundaries of
34 the former high school district. Tuition shall be paid to the unified school
35 district by the common school district in which such pupils reside. Such
36 tuition amount shall be calculated in accordance with section 15-824, subject
37 to the following modifications:

38 1. If the former high school district had outstanding bonded
39 indebtedness at the time of unification, the combined tuition for the group
40 of high school pupils who reside in each common school district shall include
41 a debt service amount for the former high school district's outstanding
42 bonded indebtedness that is determined as follows:

43 (a) Divide the total ~~secondary~~ NET assessed valuation of the common
44 school district in which the group of pupils resides by the total ~~secondary~~
45 NET assessed valuation of the former high school district. For the purposes

1 of this subdivision, "~~secondary~~ NET assessed valuation" means ~~secondary~~ NET
2 assessed valuation for the tax year prior to the year when the unified school
3 district governing board is constituted pursuant to subsection D of this
4 section and includes the values used to determine voluntary contributions
5 collected pursuant to title 9, chapter 4, article 3 and title 48, chapter 1,
6 article 8.

7 (b) Multiply the quotient obtained in subdivision (a) of this paragraph
8 by the unified school district's annual debt service expenditure.

9 2. The debt service portion of such tuition payments calculated
10 pursuant to paragraph 1 of this subsection shall be used exclusively for debt
11 service of the outstanding bonded indebtedness of the former high school
12 district. When such indebtedness is fully extinguished, the debt service
13 portion of a pupil's tuition shall be determined in accordance with paragraph
14 3 of this subsection.

15 3. If the former high school district had no outstanding bonded
16 indebtedness at the time of unification, the tuition calculation shall
17 include the actual school district expenditures for the portion of any debt
18 service of the unified school district that pertains to any construction or
19 renovation of high school facilities divided by the school district's student
20 count for the high school portion of the school district.

21 4. The unified school district shall not include in the tuition
22 calculation any debt service that pertains to any construction or renovation
23 of school facilities for preschool through grade eight.

24 5. Notwithstanding section 15-951, subsection F, the revenue control
25 limit of the common school district shall include the full amount of the debt
26 service portion of the tuition calculated pursuant to this subsection.

27 K. All assets and liabilities of the unifying school districts shall
28 be transferred and assumed by the new unified school district. Any existing
29 bonded indebtedness of a common school district or a high school district
30 unifying pursuant to this section shall be assumed by the new unified school
31 district and shall be regarded as an indebtedness of the new unified school
32 district for the purpose of determining the debt incurring authority of the
33 district. Taxes for the payment of such bonded indebtedness shall be levied
34 on all taxable property in the new unified school district, but nothing in
35 this subsection shall be construed to relieve from liability to taxation for
36 the payment of all taxable property of the former high school district if
37 necessary to prevent a default in the payment of any bonded indebtedness of
38 the former high school district. The residents of a common school district
39 that does not unify shall not vote in bond or override elections of the
40 unified school district and shall not be assessed taxes as a result of a bond
41 or override election of the unified school district.

42 L. If the remaining common school district had authorization for an
43 override as provided in section 15-481 or 15-482, the override authorization
44 continues for the remaining common school district or districts in the same
45 manner as before the formation of the unified school district.

1 M. The bonding authorization and bonding limitations continue for the
2 remaining common school district or districts in the same manner as before
3 the formation of the unified school district.

4 N. Nothing in this section shall be construed to relieve a school
5 district formed pursuant to section 15-457 or 15-458 of its liability for any
6 outstanding bonded indebtedness.

7 O. For school districts that become unified after July 1, 2004 and
8 where all of the common schools were eligible for the small school district
9 weight pursuant to section 15-943, paragraph 1, subdivision (a) when
10 computing their base support level and base revenue control limit before
11 unification, the unified school district may continue to use the small school
12 district weight as follows:

13 1. Annually determine the common school student count and the weighted
14 student count pursuant to section 15-943, paragraph 1, subdivision (a) for
15 each common school district before unification.

16 2. Calculate the sum of the common school districts' student counts
17 and weighted student counts determined in paragraph 1 of this subsection.

18 3. Divide the sum of the weighted student counts by the sum of the
19 student counts determined in paragraph 2 of this subsection.

20 4. The amount determined in paragraph 3 of this subsection shall be
21 the weight for the common schools in the unified school district.

22 P. A unified school district may calculate its revenue control limit
23 and district support level by using subsection O of this section as follows:

24 1. Determine the number of individual school districts that existed
25 before unification into a single school district.

26 2. Multiply the amount determined in paragraph 1 of this subsection by
27 six hundred.

28 3. Multiply the amount determined in paragraph 2 of this subsection by
29 0.80.

30 4. If the amount determined in paragraph 3 of this subsection exceeds
31 the student count of the unified school district, the unified school district
32 is eligible to use subsection O of this section.

33 Q. Subsections O and P of this section shall remain in effect until
34 the aggregate student count of the common school districts before unification
35 exceeds the aggregate number of students of the common school districts
36 before unification authorized to utilize section 15-943, paragraph 1,
37 subdivision (a).

38 Sec. 3. Repeal

39 Section 15-448, Arizona Revised Statutes, as amended by Laws 2013,
40 chapter 66, section 1, is repealed.

41 Sec. 4. Section 28-6991, Arizona Revised Statutes, as amended by Laws
42 2013, chapter 132, section 6 and chapter 167, section 6, is amended to read:
43 28-6991. State highway fund; sources

44 A state highway fund is established that consists of:

- 1 1. Monies distributed from the Arizona highway user revenue fund
2 pursuant to chapter 18 of this title.
- 3 2. Monies appropriated by the legislature.
- 4 3. Monies received from donations for the construction, improvement or
5 maintenance of state highways or bridges. These monies shall be credited to
6 a special account and shall be spent only for the purpose indicated by the
7 donor.
- 8 4. Monies received from counties under cooperative agreements,
9 including proceeds from bond issues. The state treasurer shall deposit these
10 monies to the credit of the fund in a special account on delivery to the
11 treasurer of a concise written agreement between the department and the
12 county stating the purposes for which the monies are surrendered by the
13 county, and these monies shall be spent only as stated in the agreement.
- 14 5. Monies received from the United States under an act of Congress to
15 provide aid for the construction of rural post roads, but monies received on
16 projects for which the monies necessary to be provided by this state are
17 wholly derived from sources mentioned in paragraphs 2 and 3 of this section
18 shall be allotted by the department and deposited by the state treasurer in
19 the special account within the fund established for each project. On
20 completion of the project, on the satisfaction and discharge in full of all
21 obligations of any kind created and on request of the department, the
22 treasurer shall transfer the unexpended balance in the special account for
23 the project into the state highway fund, and the unexpended balance and any
24 further federal aid thereafter received on account of the project may be
25 spent under the general provisions of this title.
- 26 6. Monies in the custody of an officer or agent of this state from any
27 source that is to be used for the construction, improvement or maintenance of
28 state highways or bridges.
- 29 7. Monies deposited in the state general fund and arising from the
30 disposal of state personal property belonging to the department.
- 31 8. Receipts from the sale or disposal of any or all other property
32 held by the department and purchased with state highway monies.
- 33 9. Monies generated pursuant to section 28-410.
- 34 10. Monies distributed pursuant to section 28-5808, subsection B,
35 paragraph 2, subdivision (d).
- 36 11. Monies deposited pursuant to sections 28-1143, 28-2353 and 28-3003.
- 37 12. Except as provided in section 28-5101, the following monies:
38 (a) Monies deposited pursuant to section 28-2206 and section 28-5808,
39 subsection B, paragraph 2, subdivision (e).
40 (b) One dollar of each registration fee and one dollar of each title
41 fee collected pursuant to section 28-2003.
42 (c) Two dollars of each late registration penalty collected by the
43 director pursuant to section 28-2162.
44 (d) The air quality compliance fee collected pursuant to section
45 49-542.

1 (e) The special plate administration fees collected pursuant to
2 sections 28-2404, 28-2412 through 28-2416, 28-2416.01, 28-2417 through
3 28-2450 and 28-2514.

4 (f) Monies collected pursuant to sections 28-372, 28-2155 and 28-2156
5 if the director is the registering officer.

6 13. Monies deposited pursuant to chapter 5, article 5 of this title.

7 14. Donations received pursuant to section 28-2269.

8 15. Dealer and registration monies collected pursuant to section
9 28-4304.

10 16. Abandoned vehicle administration monies deposited pursuant to
11 section 28-4804.

12 17. Monies deposited pursuant to section 28-710, subsection D,
13 paragraph 2.

14 18. Monies deposited pursuant to section 28-2065.

15 19. Monies deposited pursuant to section 28-7311.

16 20. Monies deposited pursuant to section 28-7059.

17 21. Monies deposited pursuant to section 28-1105.

18 22. Monies deposited pursuant to section 28-2448, subsection D.

19 23. **MONIES DEPOSITED PURSUANT TO SECTION 28-3415.**

20 Sec. 5. Repeal

21 Section 28-6991, Arizona Revised Statutes, as amended by Laws 2013,
22 chapter 129, section 21, is repealed.

23 Sec. 6. Section 41-619.51, Arizona Revised Statutes, as amended by
24 Laws 2013, chapter 128, section 11, is amended to read:

25 41-619.51. Definitions

26 In this article, unless the context otherwise requires:

27 1. "Agency" means the supreme court, the department of economic
28 security, the department of education, the department of health services, the
29 department of juvenile corrections, the department of emergency and military
30 affairs, the department of transportation, the state real estate department
31 or the board of examiners of nursing care institution administrators and
32 assisted living facility managers.

33 2. "Board" means the board of fingerprinting.

34 3. "Central registry exception" means notification to the department
35 of economic security or the department of health services, as appropriate,
36 pursuant to section 41-619.57 that the person is not disqualified because of
37 a central registry check conducted pursuant to section 8-804.

38 4. "Expedited review" means an examination, in accordance with board
39 rule, of the documents an applicant submits by the board or its hearing
40 officer without the applicant being present.

41 5. "Good cause exception" means the issuance of a fingerprint
42 clearance card to an employee pursuant to section 41-619.55.

43 6. "Person" means a person who is required to be fingerprinted
44 pursuant to this article or who is subject to a central registry check and
45 any of the following:

- 1 (a) Section 8-105.
- 2 (b) Section 8-322.
- 3 (c) Section 8-509.
- 4 (d) Section 8-802.
- 5 (e) Section 8-804.
- 6 (f) Section 8-804.01.
- 7 (g) Section 15-183.
- 8 (h) Section 15-534.
- 9 (i) Section 15-782.02.
- 10 (j) Section 15-1330.
- 11 (k) Section 15-1881.
- 12 (l) Section 17-215.
- 13 (m) Section 26-103.
- 14 (n) [SECTION 28-3413](#).
- 15 ~~(n)~~ (o) Section 32-2108.01.
- 16 ~~(o)~~ (p) Section 32-2123.
- 17 ~~(p)~~ (q) Section 32-2371.
- 18 ~~(q)~~ (r) Section 32-2372.
- 19 ~~(r)~~ (s) Section 36-207.
- 20 ~~(s)~~ (t) Section 36-411.
- 21 ~~(t)~~ (u) Section 36-425.03.
- 22 ~~(u)~~ (v) Section 36-446.04.
- 23 ~~(v)~~ (w) Section 36-594.01.
- 24 ~~(w)~~ (x) Section 36-594.02.
- 25 ~~(x)~~ (y) Section 36-882.
- 26 ~~(y)~~ (z) Section 36-883.02.
- 27 ~~(z)~~ (aa) Section 36-897.01.
- 28 ~~(aa)~~ (bb) Section 36-897.03.
- 29 ~~(bb)~~ (cc) Section 36-3008.
- 30 ~~(cc)~~ (dd) Section 41-619.53.
- 31 ~~(dd)~~ (ee) Section 41-1964.
- 32 ~~(ee)~~ (ff) Section 41-1967.01.
- 33 ~~(ff)~~ (gg) Section 41-1968.
- 34 ~~(gg)~~ (hh) Section 41-1969.
- 35 ~~(hh)~~ (ii) Section 41-2814.
- 36 ~~(ii)~~ (jj) Section 46-141, subsection A.
- 37 ~~(jj)~~ (kk) Section 46-321.
- 38 Sec. 7. [Repeal](#)
- 39 Section [41-619.51](#), Arizona Revised Statutes, as amended by Laws 2013,
- 40 chapter 129, section 24, is repealed.
- 41 Sec. 8. Section 41-1005, Arizona Revised Statutes, as amended by Laws
- 42 2013, first special session, chapter 10, section 10, is amended to read:
- 43 [41-1005](#). [Exemptions](#)
- 44 A. This chapter does not apply to any:

- 1 1. Rule that relates to the use of public works, including streets and
2 highways, under the jurisdiction of an agency if the effect of the order is
3 indicated to the public by means of signs or signals.
- 4 2. Order or rule of the Arizona game and fish commission ~~adopted~~
5 ~~pursuant to section 5-321 or 5-327 that establishes a fee or section 17-333~~
6 ~~that establishes a license classification, fee or application fee~~ THAT DOES
7 THE FOLLOWING:
 - 8 (a) OPENS, CLOSSES OR ALTERS SEASONS OR ESTABLISHES BAG OR POSSESSION
9 LIMITS FOR WILDLIFE.
 - 10 (b) ESTABLISHES A FEE PURSUANT TO SECTION 5-321, 5-322 OR 5-327.
 - 11 (c) ESTABLISHES A LICENSE CLASSIFICATION, FEE OR APPLICATION FEE
12 PURSUANT TO TITLE 17, CHAPTER 3, ARTICLE 2.
- 13 3. Rule relating to section 28-641 or to any rule regulating motor
14 vehicle operation that relates to speed, parking, standing, stopping or
15 passing enacted pursuant to title 28, chapter 3.
- 16 4. Rule concerning only the internal management of an agency that does
17 not directly and substantially affect the procedural or substantive rights or
18 duties of any segment of the public.
- 19 5. Rule that only establishes specific prices to be charged for
20 particular goods or services sold by an agency.
- 21 6. Rule concerning only the physical servicing, maintenance or care of
22 agency owned or operated facilities or property.
- 23 7. Rule or substantive policy statement concerning inmates or
24 committed youths of a correctional or detention facility in secure custody or
25 patients admitted to a hospital, if made by the state department of
26 corrections, the department of juvenile corrections, the board of executive
27 clemency or the department of health services or a facility or hospital under
28 the jurisdiction of the state department of corrections, the department of
29 juvenile corrections or the department of health services.
- 30 8. Form whose contents or substantive requirements are prescribed by
31 rule or statute, and instructions for the execution or use of the form.
- 32 9. Capped fee-for-service schedule adopted by the Arizona health care
33 cost containment system administration pursuant to title 36, chapter 29.
- 34 10. Fees prescribed by section 6-125.
- 35 11. Order of the director of water resources adopting or modifying a
36 management plan pursuant to title 45, chapter 2, article 9.
- 37 12. Fees established under section 3-1086.
- 38 13. Fee-for-service schedule adopted by the department of economic
39 security pursuant to section 8-512.
- 40 14. Fees established under sections 41-2144 and 41-2189.
- 41 15. Rule or other matter relating to agency contracts.
- 42 16. Fees established under section 32-2067 or 32-2132.
- 43 17. Rules made pursuant to section 5-111, subsection A.
- 44 18. Rules made by the Arizona state parks board concerning the
45 operation of the Tonto natural bridge state park, the facilities located in

- 1 the Tonto natural bridge state park and the entrance fees to the Tonto
2 natural bridge state park.
- 3 19. Fees or charges established under section 41-511.05.
- 4 20. Emergency medical services protocols except as provided in section
5 36-2205, subsection B.
- 6 21. Fee schedules established pursuant to section 36-3409.
- 7 22. Procedures of the state transportation board as prescribed in
8 section 28-7048.
- 9 23. Rules made by the state department of corrections.
- 10 24. Fees prescribed pursuant to section 32-1527.
- 11 25. Rules made by the department of economic security pursuant to
12 section 46-805.
- 13 26. Schedule of fees prescribed by section 23-908.
- 14 27. Procedure that is established pursuant to title 23, chapter 6,
15 article 6.
- 16 28. Rules, administrative policies, procedures and guidelines adopted
17 for any purpose by the Arizona commerce authority pursuant to chapter 10 of
18 this title if the authority provides, as appropriate under the circumstances,
19 for notice of an opportunity for comment on the proposed rules,
20 administrative policies, procedures and guidelines.
- 21 29. Rules made by a marketing commission or marketing committee
22 pursuant to section 3-414.
- 23 30. Administration of public assistance program monies authorized for
24 liabilities that are incurred for disasters declared pursuant to sections
25 26-303 and 35-192.
- 26 31. User charges, tolls, fares, rents, advertising and sponsorship
27 charges, services charges or similar charges established pursuant to section
28 28-7705.
- 29 32. Administration and implementation of the hospital assessment
30 pursuant to section 36-2901.08, except that the Arizona health care cost
31 containment system administration must provide notice and an opportunity for
32 public comment at least thirty days before establishing or implementing the
33 administration of the assessment.
- 34 B. Notwithstanding subsection A, paragraph 22 of this section, at such
35 time as the federal highway administration authorizes the privatization of
36 rest areas, the state transportation board shall make rules governing the
37 lease or license by the department of transportation to a private entity for
38 the purposes of privatization of a rest area.
- 39 C. Coincident with the making of a final rule pursuant to an exemption
40 from the applicability of this chapter under this section, another statute or
41 session law, the agency shall file a copy of the rule with the secretary of
42 state for publication pursuant to section 41-1012 and provide a copy to the
43 council.
- 44 D. Unless otherwise required by law, articles 2, 3, 4 and 5 of this
45 chapter do not apply to the Arizona board of regents and the institutions

1 under its jurisdiction, except that the Arizona board of regents shall make
2 policies or rules for the board and the institutions under its jurisdiction
3 that provide, as appropriate under the circumstances, for notice of and
4 opportunity for comment on the policies or rules proposed.

5 E. Unless otherwise required by law, articles 2, 3, 4 and 5 of this
6 chapter do not apply to the Arizona state schools for the deaf and the blind,
7 except that the board of directors of all the state schools for the deaf and
8 the blind shall adopt policies for the board and the schools under its
9 jurisdiction that provide, as appropriate under the circumstances, for notice
10 of and opportunity for comment on the policies proposed for adoption.

11 F. Unless otherwise required by law, articles 2, 3, 4 and 5 of this
12 chapter do not apply to the state board of education, except that the state
13 board of education shall adopt policies or rules for the board and the
14 institutions under its jurisdiction that provide, as appropriate under the
15 circumstances, for notice of and opportunity for comment on the policies or
16 rules proposed for adoption. In order to implement or change any rule, the
17 state board of education shall provide at least two opportunities for public
18 comment.

19 Sec. 9. Repeal

20 Laws 2013, chapter 231, section 3 is repealed.

21 Sec. 10. Repeal

22 Section 41-1005, Arizona Revised Statutes, as amended by Laws 2013,
23 chapter 231, section 4, is repealed.

24 Sec. 11. Section 41-1758, Arizona Revised Statutes, as amended by Laws
25 2013, chapter 128, section 12 and chapter 174, section 2, is amended to read:
26 41-1758. Definitions

27 In this article, unless the context otherwise requires:

28 1. "Agency" means the supreme court, the department of economic
29 security, the department of education, the department of health services, the
30 department of juvenile corrections, the department of emergency and military
31 affairs, the department of transportation, the state real estate department,
32 the board of fingerprinting or the board of examiners of nursing care
33 institution administrators and assisted living facility managers.

34 2. "Division" means the fingerprinting division in the department of
35 public safety.

36 3. "Electronic or internet-based fingerprinting services" means a
37 secure system for digitizing applicant fingerprints and transmitting the
38 applicant data and fingerprints of a person or entity submitting fingerprints
39 to the department of public safety for any authorized purpose under this
40 title. For the purposes of this paragraph, "secure system" means a system
41 that complies with the information technology security policy approved by the
42 department of public safety.

43 4. "Good cause exception" means the issuance of a fingerprint
44 clearance card to an employee pursuant to section 41-619.55.

1 5. "Person" means a person who is required to be fingerprinted
2 pursuant to any of the following:

- 3 (a) Section 8-105.
- 4 (b) Section 8-322.
- 5 (c) Section 8-509.
- 6 (d) Section 8-802.
- 7 (e) Section 15-183.
- 8 (f) Section 15-503.
- 9 (g) Section 15-512.
- 10 (h) Section 15-534.
- 11 (i) Section 15-782.02.
- 12 (j) Section 15-1330.
- 13 (k) Section 15-1881.
- 14 (l) Section 17-215.
- 15 (m) Section 26-103.
- 16 (n) [SECTION 28-3413](#).
- 17 ~~(n)~~ (o) Section 32-2108.01.
- 18 ~~(o)~~ (p) Section 32-2123.
- 19 ~~(p)~~ (q) Section 32-2371.
- 20 ~~(q)~~ (r) Section 32-2372.
- 21 ~~(r)~~ (s) Section 36-207.
- 22 ~~(s)~~ (t) Section 36-411.
- 23 ~~(t)~~ (u) Section 36-425.03.
- 24 ~~(u)~~ (v) Section 36-446.04.
- 25 ~~(v)~~ (w) Section 36-594.01.
- 26 ~~(w)~~ (x) Section 36-594.02.
- 27 ~~(x)~~ (y) Section 36-882.
- 28 ~~(y)~~ (z) Section 36-883.02.
- 29 ~~(z)~~ (aa) Section 36-897.01.
- 30 ~~(aa)~~ (bb) Section 36-897.03.
- 31 ~~(bb)~~ (cc) Section 36-3008.
- 32 ~~(cc)~~ (dd) Section 41-619.52.
- 33 ~~(dd)~~ (ee) Section 41-619.53.
- 34 ~~(ee)~~ (ff) Section 41-1964.
- 35 ~~(ff)~~ (gg) Section 41-1967.01.
- 36 ~~(gg)~~ (hh) Section 41-1968.
- 37 ~~(hh)~~ (ii) Section 41-1969.
- 38 ~~(ii)~~ (jj) Section 41-2814.
- 39 ~~(jj)~~ (kk) Section 46-141, subsection A.
- 40 ~~(kk)~~ (ll) Section 46-321.

41 6. "Vulnerable adult" has the same meaning prescribed in section
42 13-3623.

43 Sec. 12. [Repeal](#)

44 Section [41-1758](#), Arizona Revised Statutes, as amended by Laws 2013,
45 chapter 129, section 25, is repealed.

1 Sec. 13. Section 41-1758.01, Arizona Revised Statutes, as amended by
2 Laws 2013, chapter 128, section 13 and chapter 174, section 3, is amended to
3 read:

4 41-1758.01. Fingerprinting division; powers and duties

5 A. The fingerprinting division is established in the department of
6 public safety and shall:

7 1. Conduct fingerprint background checks for persons and applicants
8 who are seeking licenses from state agencies, employment with licensees,
9 contract providers and state agencies or employment or educational
10 opportunities with agencies that require fingerprint background checks
11 pursuant to sections 8-105, 8-322, 8-509, 8-802, 15-183, 15-503, 15-512,
12 15-534, 15-782.02, 15-1330, 15-1881, 17-215, 26-103, 28-3413, 32-2108.01,
13 32-2123, 32-2371, 32-2372, 36-207, 36-411, 36-425.03, 36-446.04, 36-594.01,
14 36-594.02, 36-882, 36-883.02, 36-897.01, 36-897.03, 36-3008, 41-619.52,
15 41-619.53, 41-1964, 41-1967.01, 41-1968, 41-1969 and 41-2814, section 46-141,
16 subsection A and section 46-321.

17 2. Issue fingerprint clearance cards. On issuance, a fingerprint
18 clearance card becomes the personal property of the cardholder and the
19 cardholder shall retain possession of the fingerprint clearance card.

20 3. On submission of an application for a fingerprint clearance card,
21 collect the fees established by the board of fingerprinting pursuant to
22 section 41-619.53 and deposit, pursuant to sections 35-146 and 35-147, the
23 monies collected in the board of fingerprinting fund.

24 4. Inform in writing each person who submits fingerprints for a
25 fingerprint background check of the person's right to petition the board of
26 fingerprinting for a good cause exception pursuant to sections 41-1758.03 and
27 41-1758.07.

28 5. Administer and enforce this article.

29 B. The fingerprinting division may contract for electronic or
30 internet-based fingerprinting services through an entity or entities for the
31 acquisition and transmission of applicant fingerprint and data submissions to
32 the department, including identity verified fingerprints pursuant to section
33 15-106. The entity or entities contracted by the department of public safety
34 may charge the applicant a fee for services provided pursuant to this
35 article. The entity or entities contracted by the department of public
36 safety shall comply with:

37 1. All information privacy and security measures and submission
38 standards established by the department of public safety.

39 2. The information technology security policy approved by the
40 department of public safety.

41 Sec. 14. Repeal

42 Section 41-1758.01, Arizona Revised Statutes, as amended by Laws 2013,
43 chapter 129, section 26, is repealed.

1 Sec. 15. Section 42-2003, Arizona Revised Statutes, as amended by Laws
2 2013, first regular session, chapter 40, section 2, chapter 114, section 6
3 and chapter 222, section 3 and Laws 2013, first special session, chapter 9,
4 section 3, 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.

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

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

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

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

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

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

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

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

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

32 (a) The processing, storage, transmission, destruction and
33 reproduction of the information.

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

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

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

40 (a) Regarding income tax or withholding tax.

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

43 9. The United States treasury inspector general for tax administration
44 for the purpose of reporting a violation of internal revenue code section

1 7213A (26 United States Code section 7213A), unauthorized inspection of
2 returns or return information.

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

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

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

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

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

13 (c) Fulfilling its annual reporting responsibility pursuant to section
14 41-1511, subsections U and V and section 41-1512, subsections U and V.

15 (d) Certifying computer data centers for tax relief under section
16 41-1519.

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

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

20 15. The department of transportation for its use in administering
21 taxes, surcharges and penalties prescribed by title 28.

22 16. The Arizona health care cost containment system administration for
23 its use in administering nursing facility provider assessments.

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

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

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

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

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

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

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

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

43 E. The department, on the request of any person, shall provide the
44 names and addresses of bingo licensees as defined in section 5-401, verify
45 whether or not a person has a privilege license and number, a distributor's

1 license and number or a withholding license and number or disclose the
2 information to be posted on the department's website or otherwise publicly
3 accessible pursuant to section 42-1124, subsection F and section 42-3201,
4 subsection A.

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

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

18 H. Confidential information relating to transaction privilege tax, use
19 tax, severance tax, jet fuel excise and use tax and any other tax collected
20 by the department on behalf of ~~the county~~ ANY JURISDICTION may be disclosed
21 to any county, city or town tax official if the information relates to a
22 taxpayer who is or may be taxable by the county, city or town OR WHO MAY BE
23 SUBJECT TO AUDIT BY THE DEPARTMENT PURSUANT TO SECTION 42-6002. Any taxpayer
24 information released by the department to the county, city or town:

- 25 1. May only be used for internal purposes, INCLUDING AUDITS.
- 26 2. May not be disclosed to the public in any manner that does not
27 comply with confidentiality standards established by the department. The
28 county, city or town shall agree in writing with the department that any
29 release of confidential information that violates the confidentiality
30 standards adopted by the department will result in the immediate suspension
31 of any rights of the county, city or town to receive taxpayer information
32 under this subsection.

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

- 38 1. The state treasurer in order to comply with the requirements of
39 section 42-5029, subsection A, paragraph 3.
- 40 2. The joint legislative income tax credit review committee and the
41 joint legislative budget committee staff in order to comply with the
42 requirements of section 43-221.

43 J. The department may disclose the aggregate amounts of any tax
44 credit, tax deduction or tax exemption enacted after January 1, 1994.
45 Information subject to disclosure under this subsection shall not be

1 disclosed if a taxpayer demonstrates to the department that such information
2 would give an unfair advantage to competitors.

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

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

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

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

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

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

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

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

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

39 T. The department shall release confidential information as requested
40 by the attorney general for purposes of determining compliance with and
41 enforcing section 44-7101, the master settlement agreement referred to
42 therein and subsequent agreements to which the state is a party that amend or
43 implement the master settlement agreement. Information disclosed under this
44 subsection is limited to luxury tax information relating to tobacco

1 manufacturers, distributors, wholesalers and retailers and information
2 collected by the department pursuant to section 44-7101(2)(j).

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

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

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

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

25 V. The department may disclose to the attorney general confidential
26 information received under section 44-7111 and requested by the attorney
27 general for purposes of determining compliance with and enforcing section
28 44-7111. The department and attorney general shall share with each other the
29 information received under section 44-7111, and may share the information
30 with other federal, state or local agencies only for the purposes of
31 enforcement of section 13-3711, 36-798.06, 44-7101 or 44-7111 or
32 corresponding laws of other states.

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

37 X. The department may disclose to the attorney general confidential
38 information requested by the attorney general for the purposes of determining
39 compliance with and enforcing section 13-3711 or 36-798.06.

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

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

1 amount equal to any tax, penalty and interest that the seller would have been
2 required to pay under this article if the seller had not complied with
3 subsection A of this section. Payment of the amount under this subsection
4 exempts the purchaser from liability for any tax imposed under article 4 of
5 this chapter. The amount shall be treated as tax revenues collected from the
6 seller in order to designate the distribution base for purposes of section
7 42-5029.

8 E. If a seller is entitled to a deduction by complying with subsection
9 B of this section, the department may require the purchaser to establish the
10 accuracy and completeness of the information provided to the seller that
11 entitled the seller to the deduction. If the purchaser cannot establish the
12 accuracy and completeness of the information, the purchaser is liable in an
13 amount equal to any tax, penalty and interest that the seller would have been
14 required to pay under this article if the seller had not complied with
15 subsection B of this section. Payment of the amount under this subsection
16 exempts the purchaser from liability for any tax imposed under article 4 of
17 this chapter. The amount shall be treated as tax revenues collected from the
18 seller in order to designate the distribution base for purposes of section
19 42-5029.

20 F. The department may prescribe a form for a certificate used to
21 establish entitlement to the deductions described in section 42-5061,
22 subsection A, paragraph ~~47~~ 46 and section 42-5063, subsection B, paragraph 3.
23 Under rules the department may prescribe, the department may also require
24 additional information for the seller to be entitled to the deduction. If a
25 seller is entitled to the deductions described in section 42-5061, subsection
26 A, paragraph ~~47~~ 46 and section 42-5063, subsection B, paragraph 3, the
27 department may require the purchaser who executed the certificate to
28 establish the accuracy and completeness of the information contained in the
29 certificate that would entitle the seller to the deduction. If the purchaser
30 cannot establish the accuracy and completeness of the information, the
31 purchaser is liable in an amount equal to any tax, penalty and interest that
32 the seller would have been required to pay under this article. Payment of
33 the amount under this subsection exempts the purchaser from liability for any
34 tax imposed under article 4 of this chapter. The amount shall be treated as
35 tax revenues collected from the seller in order to designate the distribution
36 base for purposes of section 42-5029.

37 G. If a seller claims a deduction under section 42-5061, subsection A,
38 paragraph 25 and establishes entitlement to the deduction with an exemption
39 letter that the purchaser received from the department and the exemption
40 letter was based on a contingent event, the department may require the
41 purchaser that received the exemption letter to establish the satisfaction of
42 the contingent event within a reasonable time. If the purchaser cannot
43 establish the satisfaction of the event, the purchaser is liable in an amount
44 equal to any tax, penalty and interest that the seller would have been
45 required to pay under this article if the seller had not been furnished the

1 exemption letter. Payment of the amount under this subsection exempts the
2 purchaser from liability for any tax imposed under article 4 of this chapter.
3 The amount shall be treated as tax revenues collected from the seller in
4 order to designate the distribution base for purposes of section 42-5029.
5 For the purposes of this subsection, "reasonable time" means a time
6 limitation that the department determines and that does not exceed the time
7 limitations pursuant to section 42-1104.

8 H. The department shall prescribe forms for certificates used to
9 establish the satisfaction of the criteria necessary to qualify the sale of a
10 motor vehicle for the deductions described in section 42-5061, subsection A,
11 paragraph 14, paragraph 28, subdivision (a) and paragraph ~~45~~ 44 and
12 subsection U. Except as provided in subsection J of this section, to
13 establish entitlement to these deductions, a motor vehicle dealer shall
14 retain:

15 1. A valid certificate as prescribed by this subsection completed by
16 the purchaser and obtained prior to the issuance of the nonresident
17 registration permit authorized by section 28-2154.

18 2. A copy of the nonresident registration permit authorized by section
19 28-2154.

20 3. A legible copy of a current valid driver license issued to the
21 purchaser by another state or foreign country that indicates an address
22 outside of this state. For the sale of a motor vehicle to a nonresident
23 entity, the entity's representative must have a current valid driver license
24 issued by the same jurisdiction as that in which the entity is located.

25 4. For the purposes of the deduction provided by section 42-5061,
26 subsection A, paragraph 14, a certificate documenting the delivery of the
27 motor vehicle to an out-of-state location.

28 I. Notwithstanding subsection A, paragraph 2 of this section, if a
29 motor vehicle dealer has established entitlement to a deduction by complying
30 with subsection H of this section, the department may require the purchaser
31 who executed the certificate to establish the accuracy and completeness of
32 the information contained in the certificate that entitled the motor vehicle
33 dealer to the deduction. If the purchaser cannot establish the accuracy and
34 completeness of the information, the purchaser is liable in an amount equal
35 to any tax, penalty and interest that the motor vehicle dealer would have
36 been required to pay under this article and under articles IV and V of the
37 model city tax code as defined in section 42-6051. Payment of the amount
38 under this subsection exempts the purchaser from liability for any tax
39 imposed under article 4 of this chapter and any tax imposed under article VI
40 of the model city tax code as defined in section 42-6051. The amount shall
41 be treated as tax revenues collected from the motor vehicle dealer in order
42 to designate the distribution base for purposes of section 42-5029.

43 J. To establish entitlement to the deduction described in section
44 42-5061, subsection A, paragraph 45, a public consignment auction dealer as
45 defined in section 28-4410.01 shall submit the valid certificate prescribed

1 by subsection H of this section to the department and retain a copy for its
2 records.

3 K. Notwithstanding any other law, compliance with subsection H of this
4 section by a motor vehicle dealer entitles the motor vehicle dealer to the
5 exemption provided in section 42-6004, subsection A, paragraph 4.

6 L. THE DEPARTMENT SHALL PRESCRIBE A FORM FOR A CERTIFICATE TO BE USED
7 BY A CONTRACTOR THAT IS NOT OTHERWISE SUBJECT TO TAX UNDER SECTION 42-5075
8 WHEN PURCHASING TANGIBLE PERSONAL PROPERTY TO BE INCORPORATED OR FABRICATED
9 BY THE PERSON INTO ANY REAL PROPERTY, STRUCTURE, PROJECT, DEVELOPMENT OR
10 IMPROVEMENT. THE CONTRACTOR SHALL OBTAIN A NEW CERTIFICATE FOR EACH PROJECT
11 AND IS SUBJECT TO THE FOLLOWING CONDITIONS:

12 1. THE CONTRACTOR IS NOT WORKING FOR THE OWNER OF THE REAL PROPERTY
13 BUT IS WORKING ON A JOB THAT IS IN THE CONTROL OF A PRIME CONTRACTOR AND THAT
14 THE PRIME CONTRACTOR IS LIABLE FOR THE TAX ON THE GROSS INCOME, GROSS
15 PROCEEDS OF SALES OR GROSS RECEIPTS ATTRIBUTABLE TO THE JOB AND FROM WHICH
16 THE CONTRACTOR IS PAID.

17 2. THE CONTRACTOR MAY USE THE CERTIFICATE ISSUED PURSUANT TO THIS
18 SUBSECTION ONLY WITH RESPECT TO MATERIALS THAT WILL BE INCORPORATED INTO A
19 PROJECT THE GROSS RECEIPTS OF WHICH ARE SUBJECT TO TAX UNDER SECTION 42-5075.

20 3. THE DEPARTMENT SHALL ISSUE THE CERTIFICATE TO THE CONTRACTOR ON
21 RECEIVING SUFFICIENT DOCUMENTATION TO ESTABLISH THAT THE CONTRACTOR MEETS THE
22 REQUIREMENTS OF THIS SUBSECTION.

23 4. THE DEPARTMENT SHALL NOT ISSUE A CERTIFICATE TO A CONTRACTOR THAT
24 HAS A DELINQUENT TAX BALANCE OWING THE DEPARTMENT UNDER THIS TITLE OR
25 TITLE 43.

26 5. IF THE DEPARTMENT DETERMINES THAT THE CONTRACTOR HAS FAILED TO MEET
27 ANY OF THE REQUIREMENTS OF THIS SUBSECTION, ANY DEDUCTIONS FROM TAXATION FROM
28 THE USE OF THE CERTIFICATE ARE SUBJECT TO RECAPTURE AND PAYMENT BY THE
29 CONTRACTOR.

30 Sec. 18. Repeal

31 Section 42-5009, Arizona Revised Statutes, as amended by Laws 2013,
32 chapter 255, section 5, is repealed.

33 Sec. 19. Section 42-5061, Arizona Revised Statutes, as amended by Laws
34 2013, first regular session, chapter 120, section 1 and chapter 233, section
35 1 and Laws 2013, first special session, chapter 9, section 5, is amended to
36 read:

37 42-5061. Retail classification; definitions

38 A. The retail classification is comprised of the business of selling
39 tangible personal property at retail. The tax base for the retail
40 classification is the gross proceeds of sales or gross income derived from
41 the business. The tax imposed on the retail classification does not apply to
42 the gross proceeds of sales or gross income from:

43 1. Professional or personal service occupations or businesses that
44 involve sales or transfers of tangible personal property only as
45 inconsequential elements.

- 1 2. Services rendered in addition to selling tangible personal property
2 at retail.
- 3 3. Sales of warranty or service contracts. The storage, use or
4 consumption of tangible personal property provided under the conditions of
5 such contracts is subject to tax under section 42-5156.
- 6 4. Sales of tangible personal property by any nonprofit organization
7 organized and operated exclusively for charitable purposes and recognized by
8 the United States internal revenue service under section 501(c)(3) of the
9 internal revenue code.
- 10 5. Sales to persons engaged in business classified under the
11 restaurant classification of articles used by human beings for food, drink or
12 condiment, whether simple, mixed or compounded.
- 13 6. Business activity that is properly included in any other business
14 classification that is taxable under this article.
- 15 7. The sale of stocks and bonds.
- 16 8. Drugs and medical oxygen, including delivery hose, mask or tent,
17 regulator and tank, on the prescription of a member of the medical, dental or
18 veterinarian profession who is licensed by law to administer such substances.
- 19 9. Prosthetic appliances as defined in section 23-501 prescribed or
20 recommended by a health professional who is licensed pursuant to title 32,
21 chapter 7, 8, 11, 13, 14, 15, 16, 17 or 29.
- 22 10. Insulin, insulin syringes and glucose test strips.
- 23 11. Prescription eyeglasses or contact lenses.
- 24 12. Hearing aids as defined in section 36-1901.
- 25 13. Durable medical equipment ~~which~~ THAT has a centers for medicare and
26 medicaid services common procedure code, is designated reimbursable by
27 medicare, is prescribed by a person who is licensed under title 32, chapter
28 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is primarily and
29 customarily used to serve a medical purpose, is generally not useful to a
30 person in the absence of illness or injury and is appropriate for use in the
31 home.
- 32 14. Sales OF MOTOR VEHICLES to nonresidents of this state for use
33 outside this state if the ~~vendor~~ MOTOR VEHICLE DEALER ships or delivers the
34 ~~tangible personal property~~ MOTOR VEHICLE TO A DESTINATION out of this state.
- 35 15. Food, as provided in and subject to the conditions of article 3 of
36 this chapter and section 42-5074.
- 37 16. Items purchased with United States department of agriculture food
38 stamp coupons issued under the food stamp act of 1977 (P.L. 95-113; 91 Stat.
39 958) or food instruments issued under section 17 of the child nutrition act
40 (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42 United States Code
41 section 1786).
- 42 17. Textbooks by any bookstore that are required by any state
43 university or community college.
- 44 18. Food and drink to a person ~~who~~ THAT is engaged in A business that
45 is classified under the restaurant classification and that provides such food

1 and drink without monetary charge to its employees for their own consumption
2 on the premises during the employees' hours of employment.

3 19. Articles of food, drink or condiment and accessory tangible
4 personal property to a school district or charter school if such articles and
5 accessory tangible personal property are to be prepared and served to persons
6 for consumption on the premises of a public school within the district or on
7 the premises of the charter school during school hours.

8 20. Lottery tickets or shares pursuant to title 5, chapter 5.1,
9 article 1.

10 21. The sale of cash equivalents and the sale of precious metal bullion
11 and monetized bullion to the ultimate consumer, but the sale of coins or
12 other forms of money for manufacture into jewelry or works of art is subject
13 to the tax and the gross proceeds of sales or gross income derived from the
14 redemption of any cash equivalent by the holder as a means of payment for
15 goods or services that are taxable under this article is subject to the tax.
16 For the purposes of this paragraph:

17 (a) "Cash equivalents" means items or intangibles, whether or not
18 negotiable, that are sold to one or more persons, through which a value
19 denominated in money is purchased in advance and may be redeemed in full or
20 in part for tangible personal property, intangibles or services. Cash
21 equivalents include gift cards, stored value cards, gift certificates,
22 vouchers, traveler's checks, money orders or other instruments, orders or
23 electronic mechanisms, such as an electronic code, personal identification
24 number or digital payment mechanism, or any other prepaid intangible right to
25 acquire tangible personal property, intangibles or services in the future,
26 whether from the seller of the cash equivalent or from another person. Cash
27 equivalents do not include either of the following:

28 (i) Items or intangibles that are sold to one or more persons, through
29 which a value is not denominated in money.

30 (ii) Prepaid calling cards or prepaid authorization numbers for
31 telecommunications services made taxable by subsection Q of this section.

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

36 (c) "Precious metal bullion" means precious metal, including gold,
37 silver, platinum, rhodium and palladium, that has been smelted or refined so
38 that its value depends on its contents and not on its form.

39 22. Motor vehicle fuel and use fuel that are subject to a tax imposed
40 under title 28, chapter 16, article 1, sales of use fuel to a holder of a
41 valid single trip use fuel tax permit issued under section 28-5739, sales of
42 aviation fuel that are subject to the tax imposed under section 28-8344 and
43 sales of jet fuel that are subject to the tax imposed under article 8 of this
44 chapter.

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

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

7 25. Tangible personal property sold to:

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

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

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

17 (d) A qualifying community health center as defined in section
18 42-5001.

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

22 (f) For taxable periods beginning from and after June 30, 2001, a
23 nonprofit charitable organization that has qualified under section 501(c)(3)
24 of the internal revenue code and that provides residential apartment housing
25 for low income persons over sixty-two years of age in a facility that
26 qualifies for a federal housing subsidy, if the tangible personal property is
27 used by the organization solely to provide residential apartment housing for
28 low income persons over sixty-two years of age in a facility that qualifies
29 for a federal housing subsidy.

30 26. Magazines or other periodicals or other publications by this state
31 to encourage tourist travel.

32 27. Tangible personal property sold to a person that is subject to tax
33 under this article by reason of being engaged in business classified under
34 the prime contracting classification under section 42-5075, ~~or~~ or to a
35 subcontractor working under the control of a prime contractor that is subject
36 to tax under article 1 of this chapter, if the property so sold is any of the
37 following:

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

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

42 28. The sale of a motor vehicle to:

43 (a) A nonresident of this state if the purchaser's state of residence
44 does not allow a corresponding use tax exemption to the tax imposed by
45 article 1 of this chapter and if the nonresident has secured a special ninety

1 day nonresident registration permit for the vehicle as prescribed by sections
2 28-2154 and 28-2154.01.

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

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

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

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

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

28 33. Sales of seeds, seedlings, roots, bulbs, cuttings and other
29 propagative material to persons who use those items to commercially produce
30 agricultural, horticultural, viticultural or floricultural crops in this
31 state.

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

37 ~~35. Sales of tangible personal property that is shipped or delivered~~
38 ~~directly to a destination outside the United States for use in that foreign~~
39 ~~country.~~

40 ~~36.~~ 35. Sales of natural gas or liquefied petroleum gas used to propel
41 a motor vehicle.

42 ~~37.~~ 36. Paper machine clothing, such as forming fabrics and dryer
43 felts, sold to a paper manufacturer and directly used or consumed in paper
44 manufacturing.

1 ~~38.~~ 37. Coal, petroleum, coke, natural gas, virgin fuel oil and
2 electricity sold to a qualified environmental technology manufacturer,
3 producer or processor as defined in section 41-1514.02 and directly used or
4 consumed in the generation or provision of on-site power or energy solely for
5 environmental technology manufacturing, producing or processing or
6 environmental protection. This paragraph shall apply for twenty full
7 consecutive calendar or fiscal years from the date the first paper
8 manufacturing machine is placed in service. In the case of an environmental
9 technology manufacturer, producer or processor who does not manufacture
10 paper, the time period shall begin with the date the first manufacturing,
11 processing or production equipment is placed in service.

12 ~~39.~~ 38. Sales of liquid, solid or gaseous chemicals used in
13 manufacturing, processing, fabricating, mining, refining, metallurgical
14 operations, research and development and, beginning on January 1, 1999,
15 printing, if using or consuming the chemicals, alone or as part of an
16 integrated system of chemicals, involves direct contact with the materials
17 from which the product is produced for the purpose of causing or permitting a
18 chemical or physical change to occur in the materials as part of the
19 production process. This paragraph does not include chemicals that are used
20 or consumed in activities such as packaging, storage or transportation but
21 does not affect any deduction for such chemicals that is otherwise provided
22 by this section. For the purposes of this paragraph, "printing" means a
23 commercial printing operation and includes job printing, engraving,
24 embossing, copying and bookbinding.

25 ~~40.~~ 39. Through December 31, 1994, personal property liquidation
26 transactions, conducted by a personal property liquidator. From and after
27 December 31, 1994, personal property liquidation transactions shall be
28 taxable under this section provided that nothing in this subsection shall be
29 construed to authorize the taxation of casual activities or transactions
30 under this chapter. For the purposes of this paragraph:

31 (a) "Personal property liquidation transaction" means a sale of
32 personal property made by a personal property liquidator acting solely on
33 behalf of the owner of the personal property sold at the dwelling of the
34 owner or on the death of any owner, on behalf of the surviving spouse, if
35 any, any devisee or heir or the personal representative of the estate of the
36 deceased, if one has been appointed.

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

39 ~~41.~~ 40. Sales of food, drink and condiment for consumption within the
40 premises of any prison, jail or other institution under the jurisdiction of
41 the state department of corrections, the department of public safety, the
42 department of juvenile corrections or a county sheriff.

43 ~~42.~~ 41. A motor vehicle and any repair and replacement parts and
44 tangible personal property becoming a part of such motor vehicle sold to a
45 motor carrier who is subject to a fee prescribed in title 28, chapter 16,

1 article 4 and who is engaged in the business of leasing or renting such
2 property.

3 ~~43.~~ 42. Livestock and poultry feed, salts, vitamins and other
4 additives for livestock or poultry consumption that are sold to persons who
5 are engaged in producing livestock, poultry, or livestock or poultry products
6 or who are engaged in feeding livestock or poultry commercially. For the
7 purposes of this paragraph, "poultry" includes ratites.

8 ~~44.~~ 43. Sales of implants used as growth promotants and injectable
9 medicines, not already exempt under paragraph 8 of this subsection, for
10 livestock or poultry owned by or in possession of persons who are engaged in
11 producing livestock, poultry, or livestock or poultry products or who are
12 engaged in feeding livestock or poultry commercially. For the purposes of
13 this paragraph, "poultry" includes ratites.

14 ~~45.~~ 44. Sales of motor vehicles at auction to nonresidents of this
15 state for use outside this state if the vehicles are shipped or delivered out
16 of this state, regardless of where title to the motor vehicles passes or its
17 free on board point.

18 ~~46.~~ 45. Tangible personal property sold to a person engaged in
19 business and subject to tax under the transient lodging classification if the
20 tangible personal property is a personal hygiene item or articles used by
21 human beings for food, drink or condiment, except alcoholic beverages, that
22 are furnished without additional charge to and intended to be consumed by the
23 transient during the transient's occupancy.

24 ~~47.~~ 46. Sales of alternative fuel, as defined in section 1-215, to a
25 used oil fuel burner who has received a permit to burn used oil or used oil
26 fuel under section 49-426 or 49-480.

27 ~~48.~~ 47. Sales of materials that are purchased by or for publicly
28 funded libraries including school district libraries, charter school
29 libraries, community college libraries, state university libraries or
30 federal, state, county or municipal libraries for use by the public as
31 follows:

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

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

34 ~~49.~~ 48. Tangible personal property sold to a commercial airline and
35 consisting of food, beverages and condiments and accessories used for serving
36 the food and beverages, if those items are to be provided without additional
37 charge to passengers for consumption in flight. For the purposes of this
38 paragraph, "commercial airline" means a person holding a federal certificate
39 of public convenience and necessity or foreign air carrier permit for air
40 transportation to transport persons, property or United States mail in
41 intrastate, interstate or foreign commerce.

42 ~~50.~~ 49. Sales of alternative fuel vehicles if the vehicle was
43 manufactured as a diesel fuel vehicle and converted to operate on alternative
44 fuel and equipment that is installed in a conventional diesel fuel motor

1 vehicle to convert the vehicle to operate on an alternative fuel, as defined
2 in section 1-215.

3 ~~51-~~ 50. Sales of any spirituous, vinous or malt liquor by a person
4 that is licensed in this state as a wholesaler by the department of liquor
5 licenses and control pursuant to title 4, chapter 2, article 1.

6 ~~52-~~ 51. Sales of tangible personal property to be incorporated or
7 installed as part of environmental response or remediation activities under
8 section 42-5075, subsection B, paragraph 6.

9 ~~53-~~ 52. Sales of tangible personal property by a nonprofit
10 organization that is exempt from taxation under section 501(c)(6) of the
11 internal revenue code if the organization produces, organizes or promotes
12 cultural or civic related festivals or events and no part of the
13 organization's net earnings inures to the benefit of any private shareholder
14 or individual.

15 ~~54-~~ 53. Through August 31, 2014, sales of Arizona centennial
16 medallions by the historical advisory commission.

17 ~~55-~~ 54. Application services that are designed to assess or test
18 student learning or to promote curriculum design or enhancement purchased by
19 or for any school district, charter school, community college or state
20 university. For the purposes of this paragraph:

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

23 (b) "Curriculum design or enhancement" means planning, implementing or
24 reporting on courses of study, lessons, assignments or other learning
25 activities.

26 ~~56-~~ 55. Sales of motor vehicle fuel and use fuel to a qualified
27 business under section 41-1516 for off-road use in harvesting, processing or
28 transporting qualifying forest products removed from qualifying projects as
29 defined in section 41-1516.

30 ~~57-~~ 56. Sales of repair parts installed in equipment used directly by
31 a qualified business under section 41-1516 in harvesting, processing or
32 transporting qualifying forest products removed from qualifying projects as
33 defined in section 41-1516.

34 ~~58-~~ 57. Sales or other transfers of renewable energy credits or any
35 other unit created to track energy derived from renewable energy resources.
36 For the purposes of this paragraph, "renewable energy credit" means a unit
37 created administratively by the corporation commission or governing body of a
38 public power utility to track kilowatt hours of electricity derived from a
39 renewable energy resource or the kilowatt hour equivalent of conventional
40 energy resources displaced by distributed renewable energy resources.

41 ~~59-~~ 58. Computer data center equipment purchased by the owner,
42 operator or qualified colocation tenant of the computer data center or an
43 authorized agent of the owner, operator or qualified colocation tenant during
44 the qualification period for use in a computer data center that is certified
45 by the Arizona commerce authority under section 41-1519. To qualify for this

1 deduction, at the time of purchase, the owner, operator or qualified
2 colocation tenant must present to the retailer its certificate that is issued
3 pursuant to section 41-1519 and that establishes its qualification for the
4 deduction. For the purposes of this paragraph, "computer data center",
5 "computer data center equipment", "qualification period" and "qualified
6 colocation tenant" have the same meanings prescribed in section 41-1519.

7 ~~60-~~ 59. Orthodontic devices dispensed by a dental professional who is
8 licensed under title 32, chapter 11 to a patient as part of the practice of
9 dentistry.

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

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

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

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

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

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

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

44 7. Aircraft, navigational and communication instruments and other
45 accessories and related equipment sold to:

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

7 (b) Any foreign government.

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

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

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

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

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

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

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

40 (a) "New machinery and equipment" means machinery and equipment that
41 have never been sold at retail except pursuant to leases or rentals ~~which~~
42 THAT do not total two years or more.

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

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

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

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

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

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

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

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

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

42 (a) Includes the integrated systems, fixtures, piping, movable
43 partitions, lighting and all property that is necessary or adapted to reduce
44 contamination or to control airflow, temperature, humidity, chemical purity
45 or other environmental conditions or manufacturing tolerances, as well as the

1 production machinery and equipment operating in conjunction with the clean
2 room environment.

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

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

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

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

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

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

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

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

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

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

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

5 2. Janitorial equipment and hand tools.

6 3. Office equipment, furniture and supplies.

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

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

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

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

17 8. MACHINERY AND EQUIPMENT OR OTHER TANGIBLE PERSONAL PROPERTY USED BY
18 A CONTRACTOR IN THE PERFORMANCE OF A CONTRACT.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28 V. For the purposes of this section:

29 1. "Aircraft" includes:

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

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

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

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

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

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

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

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

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

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

20 6. "Subcontract" means an agreement between a contractor and any
21 person who is not an employee of the contractor for furnishing of supplies or
22 services that, in whole or in part, are necessary to the performance of one
23 or more government contracts, or under which any portion of the contractor's
24 obligation under one or more government contracts is performed, undertaken or
25 assumed and that includes provisions causing title to overhead materials or
26 other tangible personal property used in the performance of the subcontract
27 to pass to the government or that includes provisions incorporating such
28 title passing clauses in a government contract into the subcontract. **FOR THE
29 PURPOSES OF THIS PARAGRAPH, "CONTRACTOR" HAS ITS ORDINARY AND COMMON MEANING
30 AND DOES NOT HAVE THE MEANING PRESCRIBED BY SECTION 42-5001.**

31 Sec. 20. Repeal

32 Section 42-5061, Arizona Revised Statutes, as amended by Laws 2013,
33 chapter 255, section 13, is repealed.

34 Sec. 21. Section 42-5071, Arizona Revised Statutes, as amended by Laws
35 2013, chapter 114, section 7 and chapter 236, section 2, is amended to read:

36 42-5071. Personal property rental classification

37 A. The personal property rental classification is comprised of the
38 business of leasing or renting tangible personal property for a
39 consideration. The tax does not apply to:

40 1. Leasing or renting films, tapes or slides used by theaters or
41 movies, which are engaged in business under the amusement classification, or
42 used by television stations or radio stations.

43 2. Activities engaged in by the Arizona exposition and state fair
44 board or county fair commissions in connection with events sponsored by such
45 entities.

1 3. Leasing or renting tangible personal property by a parent
2 corporation to a subsidiary corporation or by a subsidiary corporation to
3 another subsidiary of the same parent corporation if taxes were paid under
4 this chapter on the gross proceeds or gross income accruing from the initial
5 sale of the tangible personal property. For the purposes of this paragraph,
6 "subsidiary" means a corporation of which at least eighty per cent of the
7 voting shares are owned by the parent corporation.

8 4. Operating coin-operated washing, drying and dry cleaning machines
9 or coin-operated car washing machines at establishments for the use of such
10 machines.

11 5. Leasing or renting tangible personal property for incorporation
12 into or comprising any part of a qualified environmental technology facility
13 as described in section 41-1514.02. This paragraph shall apply for ten full
14 consecutive calendar or fiscal years following the initial lease or rental by
15 each qualified environmental technology manufacturer, producer or processor.

16 6. Leasing or renting aircraft, flight simulators or similar training
17 equipment to students or staff by nonprofit, accredited educational
18 institutions that offer associate or baccalaureate degrees in aviation or
19 aerospace related fields.

20 7. Leasing or renting photographs, transparencies or other creative
21 works used by this state on internet websites, in magazines or in other
22 publications that encourage tourism.

23 8. Leasing or renting certified ignition interlock devices installed
24 pursuant to the requirements prescribed by section 28-1461. For the purposes
25 of this paragraph, "certified ignition interlock device" has the same meaning
26 prescribed in section 28-1301.

27 B. The tax base for the personal property rental classification is the
28 gross proceeds of sales or gross income derived from the business, but the
29 gross proceeds of sales or gross income derived from the following shall be
30 deducted from the tax base:

31 1. Reimbursements by the lessee to the lessor of a motor vehicle for
32 payments by the lessor of the applicable fees and taxes imposed by sections
33 28-2003, 28-2352, 28-2402, 28-2481 and 28-5801, title 28, chapter 15,
34 article 2 and article IX, section 11, Constitution of Arizona, to the extent
35 such amounts are separately identified as such fees and taxes and are billed
36 to the lessee.

37 2. Leases or rentals of tangible personal property that, if it had
38 been purchased instead of leased or rented by the lessee, would have been
39 exempt under:

40 (a) Section 42-5061, subsection A, paragraph 8, 9, 12, 13, 25, 29, ~~50~~
41 ~~49~~ or ~~55~~ 54.

42 (b) Section 42-5061, subsection B, except that a lease or rental of
43 new machinery or equipment is not exempt pursuant to:

44 (i) Section 42-5061, subsection B, paragraph 13 if the lease is for
45 less than two years.

1 (ii) Section 42-5061, subsection B, paragraph 21.

2 (c) Section 42-5061, subsection J, paragraph 1.

3 (d) Section 42-5061, subsection N.

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

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

10 5. Amounts received by a motor vehicle dealer for the first month of a
11 lease payment if the lease and the lease payment for the first month of the
12 lease are transferred to a third-party leasing company.

13 C. Sales of tangible personal property to be leased or rented to a
14 person engaged in a business classified under the personal property rental
15 classification are deemed to be resale sales.

16 D. In computing the tax base, the gross proceeds of sales or gross
17 income from the lease or rental of a motor vehicle does not include any
18 amount attributable to the car rental surcharge under section 5-839, 28-5810
19 or 48-4234.

20 E. Until December 31, 1988, leasing or renting animals for
21 recreational purposes is exempt from the tax imposed by this section.
22 Beginning January 1, 1989, the gross proceeds or gross income from leasing or
23 renting animals for recreational purposes is subject to taxation under this
24 section. Tax liabilities, penalties and interest paid for taxable periods
25 before January 1, 1989 shall not be refunded unless the taxpayer requesting
26 the refund provides proof satisfactory to the department that the monies paid
27 as taxes will be returned to the customer.

28 Sec. 22. Repeal

29 Section 42-5071, Arizona Revised Statutes, as amended by Laws 2013,
30 chapter 255, section 14, is repealed.

31 Sec. 23. Section 42-5075, Arizona Revised Statutes, as amended by Laws
32 2013, first regular session, chapter 153, section 1 and Laws 2013, first
33 special session, chapter 9, section 6, is amended to read:

34 42-5075. Prime contracting classification: exemptions:
35 definitions

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

43 B. The tax base for the prime contracting classification is sixty-five
44 per cent of the gross proceeds of sales or gross income derived from the

1 business. The following amounts shall be deducted from the gross proceeds of
2 sales or gross income before computing the tax base:

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

5 2. Sales and installation of groundwater measuring devices required
6 under section 45-604 and groundwater monitoring wells required by law,
7 including monitoring wells installed for acquiring information for a permit
8 required by law.

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

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

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

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

44 (a) Actions to monitor, assess and evaluate such a release or a
45 suspected release.

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

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

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

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

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

18 7. The gross proceeds of sales or gross income that is derived from a
19 contract for the installation, assembly, repair or maintenance of machinery,
20 equipment or other tangible personal property that is either deducted from
21 the tax base of the retail classification under section 42-5061, subsection B
22 or that is exempt from use tax under section 42-5159, subsection B and that
23 has independent functional utility, pursuant to the following provisions:

24 (a) The deduction provided in this paragraph includes the gross
25 proceeds of sales or gross income derived from all of the following:

26 (i) Any activity performed on machinery, equipment or other tangible
27 personal property with independent functional utility.

28 (ii) Any activity performed on any tangible personal property relating
29 to machinery, equipment or other tangible personal property with independent
30 functional utility in furtherance of any of the purposes provided for under
31 subdivision (d) of this paragraph.

32 (iii) Any activity that is related to the activities described in
33 subdivision (a), items (i) and (ii) of this paragraph, including, but not
34 limited to, inspecting the installation of, or testing, the machinery,
35 equipment or other tangible personal property.

36 (b) The deduction provided in this paragraph does not include gross
37 proceeds of sales or gross income from the portion of any contracting
38 activity that consists of the development of, or modification to, real
39 property in order to facilitate the installation, assembly, repair,
40 maintenance or removal of machinery, equipment or other tangible personal
41 property that is either deducted from the tax base of the retail
42 classification under section 42-5061, subsection B or exempt from use tax
43 under section 42-5159, subsection B.

1 (c) The deduction provided in this paragraph shall be determined
2 without regard to the size or useful life of the machinery, equipment or
3 other tangible personal property.

4 (d) For the purposes of this paragraph, "independent functional
5 utility" means that the machinery, equipment or other tangible personal
6 property can independently perform its function without attachment to real
7 property, other than attachment for any of the following purposes:

8 (i) Assembling the machinery, equipment or other tangible personal
9 property.

10 (ii) Connecting items of machinery, equipment or other tangible
11 personal property to each other.

12 (iii) Connecting the machinery, equipment or other tangible personal
13 property, whether as an individual item or as a system of items, to water,
14 power, gas, communication or other services.

15 (iv) Stabilizing or protecting the machinery, equipment or other
16 tangible personal property during operation by bolting, burying or performing
17 other similar nonpermanent connections to either real property or real
18 property improvements.

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

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

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

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

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

27 9. The gross proceeds of sales or gross income received from a
28 contract for the construction of an environmentally controlled facility for
29 the raising of poultry for the production of eggs and the sorting, cooling
30 and packaging of eggs.

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

40 11. The gross proceeds of sales or gross income that is derived from
41 the installation, assembly, repair or maintenance of clean rooms that are
42 deducted from the tax base of the retail classification pursuant to section
43 42-5061, subsection B, paragraph 16.

44 12. For taxable periods beginning from and after June 30, 2001, the
45 gross proceeds of sales or gross income derived from a contract entered into

1 for the construction of a residential apartment housing facility that
2 qualifies for a federal housing subsidy for low income persons over sixty-two
3 years of age and that is owned by a nonprofit charitable organization that
4 has qualified under section 501(c)(3) of the internal revenue code.

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

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

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

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

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

28 18. The gross proceeds of sales or gross income received from a
29 contract for the construction of any building, or other structure, project,
30 development or improvement owned by a qualified business under section
31 41-1516 for harvesting or processing qualifying forest products removed from
32 qualifying projects as defined in section 41-1516 if actual construction
33 begins before January 1, 2024. To qualify for this deduction, the prime
34 contractor must obtain a letter of qualification from the Arizona commerce
35 authority before beginning work under the contract.

36 19. Any amount of the gross proceeds of sales or gross income
37 attributable to development fees that are incurred in relation to a contract
38 for construction, development or improvement of real property and that are
39 paid by a prime contractor or subcontractor. For the purposes of this
40 paragraph:

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

43 (b) The attributable amount is equal to the total amount of
44 development fees paid by the prime contractor or subcontractor, and the total
45 development fees credited in exchange for the construction of, contribution

1 to or dedication of real property for providing public infrastructure, public
2 safety or other public services necessary to the development. The real
3 property must be the subject of the development fees.

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

8 20. THE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM A CONTRACT
9 WITH THE OWNER OF REAL PROPERTY FOR THE MAINTENANCE, REPAIR OR REPLACEMENT OF
10 EXISTING PROPERTY IF THE CONTRACT DOES NOT INCLUDE MODIFICATION ACTIVITIES.
11 FOR THE PURPOSES OF THIS PARAGRAPH, EACH CONTRACT OR PROJECT IS INDEPENDENT
12 OF ANOTHER CONTRACT. A CONTRACTOR THAT HAS GROSS PROCEEDS OF SALES OR GROSS
13 INCOME DERIVED FROM A CONTRACT THAT IS NOT SUBJECT TO TAX UNDER THIS
14 PARAGRAPH IS SUBJECT TO TAX ON A CONTRACT THAT INCLUDES MODIFICATION
15 ACTIVITIES.

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

18 1. A prime contractor may establish entitlement to the deduction by
19 both:

20 (a) Marking the invoice for the transaction to indicate that the gross
21 proceeds of sales or gross income derived from the transaction was deducted
22 from the base.

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

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

34 3. The department may prescribe a form for the certificate described
35 in paragraph 1, subdivision (b) of this subsection. The department may also
36 adopt rules that describe the transactions with respect to which a person is
37 not entitled to rely solely on the information contained in the certificate
38 provided in paragraph 1, subdivision (b) of this subsection but must instead
39 obtain such additional information as required in order to be entitled to the
40 deduction.

41 4. If a prime contractor is entitled to a deduction by complying with
42 paragraph 1 of this subsection, the department may require the purchaser who
43 caused the execution of the certificate to establish the accuracy and
44 completeness of the information required to be contained in the certificate
45 that would entitle the prime contractor to the deduction. If the purchaser

1 cannot establish the accuracy and completeness of the information, the
 2 purchaser is liable in an amount equal to any tax, penalty and interest that
 3 the prime contractor would have been required to pay under article 1 of this
 4 chapter if the prime contractor had not complied with paragraph 1 of this
 5 subsection. Payment of the amount under this paragraph exempts the purchaser
 6 from liability for any tax imposed under article 4 of this chapter. The
 7 amount shall be treated as a transaction privilege tax to the purchaser and
 8 as tax revenues collected from the prime contractor in order to designate the
 9 distribution base for purposes of section 42-5029.

10 D. Subcontractors or others who perform services in respect to any
 11 improvement, building, highway, road, railroad, excavation, manufactured
 12 building or other structure, project, development or improvement are not
 13 subject to tax if they can demonstrate that the job was within the control of
 14 a prime contractor or contractors or a dealership of manufactured buildings
 15 and that the prime contractor or dealership is liable for the tax on the
 16 gross income, gross proceeds of sales or gross receipts attributable to the
 17 job and from which the subcontractors or others were paid.

18 E. Amounts received by a contractor for a project are excluded from
 19 the contractor's gross proceeds of sales or gross income derived from the
 20 business if the person who hired the contractor executes and provides a
 21 certificate to the contractor stating that the person providing the
 22 certificate is a prime contractor and is liable for the tax under article 1
 23 of this chapter. The department shall prescribe the form of the certificate.
 24 If the contractor has reason to believe that the information contained on the
 25 certificate is erroneous or incomplete, the department may disregard the
 26 certificate. If the person who provides the certificate is not liable for
 27 the tax as a prime contractor, that person is nevertheless deemed to be the
 28 prime contractor in lieu of the contractor and is subject to the tax under
 29 this section on the gross receipts or gross proceeds received by the
 30 contractor.

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

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

42 H. For the purposes of section 42-5032.02, from and after September
 43 30, 2013, the department shall separately account for revenues reported and
 44 collected under the prime contracting classification from any prime
 45 contractor engaged in the construction of any buildings and associated

1 improvements that are for the benefit of a manufacturing facility. For the
2 purposes of this subsection, "associated improvements" and "manufacturing
3 facility" have the same meanings prescribed in section 42-5032.02.

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

14 J. The gross proceeds of sales or gross income derived from
15 landscaping activities are subject to tax under this section. Landscaping
16 includes installing lawns, grading or leveling ground, installing gravel or
17 boulders, planting trees and other plants, felling trees, removing or
18 mulching tree stumps, removing other imbedded plants, building or modifying
19 irrigation berms, repairing sprinkler or watering systems, installing
20 railroad ties and installing underground sprinkler or watering systems.

21 K. The portion of gross proceeds of sales or gross income attributable
22 to the actual direct costs of providing architectural or engineering services
23 that are incorporated in a contract is not subject to tax under this section.
24 For the purposes of this subsection, "direct costs" means the portion of the
25 actual costs that are directly expended in providing architectural or
26 engineering services.

27 L. Operating a landfill or a solid waste disposal facility is not
28 subject to taxation under this section, including filling, compacting and
29 creating vehicle access to and from cell sites within the landfill.
30 Constructing roads to a landfill or solid waste disposal facility and
31 constructing cells within a landfill or solid waste disposal facility may be
32 deemed prime contracting under this section.

33 M. The following apply ~~to~~ IN DETERMINING THE TAXABLE SITUS OF SALES OF
34 manufactured buildings:

35 1. For sales in this state where the ~~dealership of~~ manufactured
36 ~~buildings~~ BUILDING DEALER contracts to deliver the building to a setup site
37 or to perform the setup in this state, the taxable situs is the setup site.

38 2. For sales in this state where the ~~dealership of~~ manufactured
39 ~~buildings~~ BUILDING DEALER does not contract to deliver the building to a
40 setup site or does not perform the setup, the taxable situs is the location
41 of the dealership where the building is delivered to the buyer.

42 3. For sales in this state where the dealership of manufactured
43 buildings contracts to deliver the building to a setup site that is outside
44 this state, the situs is outside this state and the transaction is excluded
45 from tax.

1 N. The gross proceeds of sales or gross income attributable to a
2 ~~separate~~, written CONTRACT FOR design phase services ~~contract~~ or professional
3 services ~~contract~~, executed before modification begins AND WITH TERMS,
4 CONDITIONS AND PRICING OF ALL OF THESE SERVICES SEPARATELY STATED IN THE
5 CONTRACT FROM THOSE FOR CONSTRUCTION PHASE SERVICES, is not subject to tax
6 under this section, regardless of whether the services are provided
7 sequential to or concurrent with prime contracting activities that are
8 subject to tax under this section. This subsection does not include the
9 gross proceeds of sales or gross income attributable to construction phase
10 services. For the purposes of this subsection:

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

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

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

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

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

27 (ii) The amount of an adjustment, if any, to the guaranteed maximum
28 price as set in the contract for modification work. For the purposes of this
29 item, "guaranteed maximum price" means the amount guaranteed to be the
30 maximum amount due to a prime contractor for the performance of all
31 modification work for the project.

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

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

39 (e) Inspection to determine the dates of substantial completion or
40 final completion.

41 (f) Preparation of any manuals, warranties, as-built drawings, spares
42 or other items the prime contractor must furnish pursuant to the contract for
43 modification work. For the purposes of this subdivision, "as-built drawing"
44 means a drawing that indicates field changes made to adapt to field

1 conditions, field changes resulting from change orders or buried and
2 concealed installation of piping, conduit and utility services.

3 (g) Preparation of status reports after modification work has begun
4 detailing the progress of work performed, including preparation of any of the
5 following:

6 (i) Master schedule updates.

7 (ii) Modification work cash flow projection updates.

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

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

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

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

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

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

20 2. "Design phase services" means services for developing and
21 completing a design for a project that are not construction phase services,
22 including the following:

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

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

29 (c) Preparing drawings and specifications for architectural program
30 documents, schematic design documents, design development documents,
31 modification work documents or documents that identify the scope of or
32 materials for the project.

33 (d) Preparing an initial schedule for the project, excluding the
34 preparation of updates to the master schedule after modification work has
35 begun.

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

39 (i) Labor, materials, machinery and equipment, tools, water, heat,
40 utilities, transportation and other facilities and services used in the
41 execution and completion of modification work, regardless of whether they are
42 temporary or permanent or whether they are incorporated in the modifications.

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

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

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

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

8 (vi) Any bond and insurance premiums.

9 (vii) Any applicable taxes.

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

12 (f) Reviewing and evaluating cost estimates and project documents to
13 prepare recommendations on site use, site improvements, selection of
14 materials, building systems and equipment, modification feasibility,
15 availability of materials and labor, local modification activity as related
16 to schedules and time requirements for modification work.

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

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

24 0. Notwithstanding subsection P, paragraph 8 of this section, a person
25 owning real property who enters into a contract for sale of the real
26 property, who is responsible to the new owner of the property for
27 modifications made to the property in the period subsequent to the transfer
28 of title and who receives a consideration for the modifications is considered
29 a prime contractor solely for purposes of taxing the gross proceeds of sale
30 or gross income received for the modifications made subsequent to the
31 transfer of title. The original owner's gross proceeds of sale or gross
32 income received for the modifications shall be determined according to the
33 following methodology:

34 1. If any part of the contract for sale of the property specifies
35 amounts to be paid to the original owner for the modifications to be made in
36 the period subsequent to the transfer of title, the amounts are included in
37 the original owner's gross proceeds of sale or gross income under this
38 section. Proceeds from the sale of the property that are received after
39 transfer of title and that are unrelated to the modifications made subsequent
40 to the transfer of title are not considered gross proceeds of sale or gross
41 income from the modifications.

42 2. If the original owner enters into an agreement separate from the
43 contract for sale of the real property providing for amounts to be paid to
44 the original owner for the modifications to be made in the period subsequent
45 to the transfer of title to the property, the amounts are included in the

1 original owner's gross proceeds of sale or gross income received for the
2 modifications made subsequent to the transfer of title.

3 3. If the original owner is responsible to the new owner for
4 modifications made to the property in the period subsequent to the transfer
5 of title and derives any gross proceeds of sale or gross income from the
6 project subsequent to the transfer of title other than a delayed disbursement
7 from escrow unrelated to the modifications, it is presumed that the amounts
8 are received for the modifications made subsequent to the transfer of title
9 unless the contrary is established by the owner through its books, records
10 and papers kept in the regular course of business.

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

13 P. For the purposes of this section:

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

15 2. "Contractor" is synonymous with the term "builder" and means any
16 person or organization that undertakes to or offers to undertake to, or
17 purports to have the capacity to undertake to, or submits a bid to, or does
18 personally or by or through others, modify any building, highway, road,
19 railroad, excavation, manufactured building or other structure, project,
20 development or improvement, or to do any part of such a project, including
21 the erection of scaffolding or other structure or works in connection with
22 such a project, and includes subcontractors and specialty contractors. For
23 all purposes of taxation or deduction, this definition shall govern without
24 regard to whether or not such contractor is acting in fulfillment of a
25 contract.

26 ~~4.~~ 3. "Manufactured building" means a manufactured home, mobile home
27 or factory-built building, as defined in section 41-2142.

28 ~~3.~~ 4. "~~Dealership of~~ Manufactured ~~buildings~~ BUILDING DEALER" means a
29 dealer who either:

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

32 (b) Supervises, performs or coordinates the excavation and completion
33 of site improvements, ~~OR THE~~ setup or moving of a manufactured building
34 including the contracting, if any, with any subcontractor or specialty
35 contractor for the completion of the contract.

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

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

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

42 8. "Prime contractor" means a contractor who supervises, performs or
43 coordinates the modification of any building, highway, road, railroad,
44 excavation, manufactured building or other structure, project, development or
45 improvement including the contracting, if any, with any subcontractors or

1 specialty contractors and who is responsible for the completion of the
2 contract. Except as provided in subsections E and O of this section, a
3 person who owns real property, who engages one or more contractors to modify
4 that real property and who does not itself modify that real property is not a
5 prime contractor within the meaning of this paragraph regardless of the
6 existence of a contract for sale or the subsequent sale of that real
7 property.

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

10 Sec. 24. Repeal

11 Section 42-5075, Arizona Revised Statutes, as amended by Laws 2013,
12 chapter 255, section 15, is repealed.

13 Sec. 25. Section 42-5159, Arizona Revised Statutes, as amended by Laws
14 2013, first special session, chapter 9, section 7, is amended to read:

15 42-5159. Exemptions

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

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

22 2. Tangible personal property the sale or use of which has already
23 been subjected to an excise tax at a rate equal to or exceeding the tax
24 imposed by this article under the laws of another state of the United States.
25 If the excise tax imposed by the other state is at a rate less than the tax
26 imposed by this article, the tax imposed by this article is reduced by the
27 amount of the tax already imposed by the other state.

28 3. Tangible personal property, the storage, use or consumption of
29 which the constitution or laws of the United States prohibit this state from
30 taxing or to the extent that the rate or imposition of tax is
31 unconstitutional under the laws of the United States.

32 4. Tangible personal property ~~which~~ THAT directly enters into and
33 becomes an ingredient or component part of any manufactured, fabricated or
34 processed article, substance or commodity for sale in the regular course of
35 business.

36 5. Motor vehicle fuel and use fuel, the sales, distribution or use of
37 which in this state is subject to the tax imposed under title 28, chapter 16,
38 article 1, use fuel ~~which~~ THAT is sold to or used by a person holding a valid
39 single trip use fuel tax permit issued under section 28-5739, aviation fuel,
40 the sales, distribution or use of which in this state is subject to the tax
41 imposed under section 28-8344, and jet fuel, the sales, distribution or use
42 of which in this state is subject to the tax imposed under article 8 of this
43 chapter.

44 6. Tangible personal property brought into this state by an individual
45 who was a nonresident at the time the property was purchased for storage, use

1 or consumption by the individual if the first actual use or consumption of
2 the property was outside this state, unless the property is used in
3 conducting a business in this state.

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

10 8. Livestock, poultry, supplies, feed, salts, vitamins and other
11 additives for use or consumption in the businesses of farming, ranching and
12 feeding livestock or poultry, not including fertilizers, herbicides and
13 insecticides. For the purposes of this paragraph, "poultry" includes
14 ratites.

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

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

21 11. Advertising supplements ~~which~~ THAT are intended for sale with
22 newspapers published in this state and ~~which~~ THAT have already been subjected
23 to an excise tax under the laws of another state in the United States ~~which~~
24 THAT equals or exceeds the tax imposed by this article.

25 12. Materials that are purchased by or for publicly funded libraries
26 including school district libraries, charter school libraries, community
27 college libraries, state university libraries or federal, state, county or
28 municipal libraries for use by the public as follows:

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

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

31 13. Tangible personal property purchased by:

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

35 (b) A hospital operated by this state or a political subdivision of
36 this state.

37 (c) A licensed nursing care institution or a licensed residential care
38 institution or a residential care facility operated in conjunction with a
39 licensed nursing care institution or a licensed kidney dialysis center, which
40 provides medical services, nursing services or health related services and is
41 not used or held for profit.

42 (d) 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.

1 (e) A qualifying health care organization as defined in section
2 42-5001 if the organization is dedicated to providing educational,
3 therapeutic, rehabilitative and family medical education training for blind,
4 visually impaired and multihandicapped children from the time of birth to age
5 twenty-one.

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

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

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

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

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

24 (i) A qualifying community health center as defined in section
25 42-5001.

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

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

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

42 14. Commodities, as defined by title 7 United States Code section 2,
43 that are consigned for resale in a warehouse in this state in or from which
44 the commodity is deliverable on a contract for future delivery subject to the

1 rules of a commodity market regulated by the United States commodity futures
2 trading commission.

3 15. Tangible personal property sold by:

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

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

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

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

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

24 18. Prescription eyeglasses and contact lenses.

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

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

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

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

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

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

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

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

6 27. Lottery tickets or shares purchased pursuant to title 5, chapter
7 5.1, article 1.

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

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

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

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

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

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

30 (b) Public educational institutions.

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

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

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

41 35. Liquid, solid or gaseous chemicals used in manufacturing,
42 processing, fabricating, mining, refining, metallurgical operations, research
43 and development and, beginning on January 1, 1999, printing, if using or
44 consuming the chemicals, alone or as part of an integrated system of
45 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 exemption 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 36. Food, drink and condiment purchased for consumption within the
10 premises of any prison, jail or other institution under the jurisdiction of
11 the state department of corrections, the department of public safety, the
12 department of juvenile corrections or a county sheriff.

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

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

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

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

34 (b) "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 40. Through December 31, 1994, tangible personal property sold pursuant
44 to a personal property liquidation transaction, as defined in section
45 42-5061. From and after December 31, 1994, tangible personal property sold

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

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

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

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

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

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

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

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

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

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

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

42 49. Prepared food, drink or condiment donated by a restaurant as
43 classified in section 42-5074, subsection A to a nonprofit charitable
44 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~~
14 ~~THAT~~ are 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~~ THAT are used
2 directly to transport persons or property for hire or pursuant to a
3 governmentally adopted and controlled urban mass transportation program and
4 ~~which~~ THAT are sold to bus companies holding a federal certificate of
5 convenience and necessity or operated by any city, town or other governmental
6 entity or by any person contracting with such governmental entity as part of
7 a governmentally adopted and controlled program to provide urban mass
8 transportation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27 2. Janitorial equipment and hand tools.

28 3. Office equipment, furniture and supplies.

29 4. Tangible personal property used in selling or distributing
30 activities, other than the telecommunications transmissions described in
31 subsection B, paragraph 15 of this section.

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

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

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

39 8. MACHINERY AND EQUIPMENT OR TANGIBLE PERSONAL PROPERTY USED BY A
40 CONTRACTOR IN THE PERFORMANCE OF A CONTRACT.

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

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

6 2. Revenues received from providing electricity, including ancillary
7 services, electric distribution services, electric generation services,
8 electric transmission services and other services related to providing
9 electricity with respect to which the transaction privilege tax imposed under
10 section 42-5063 has been paid.

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

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

16 1. Fees charged by a municipally owned utility to persons constructing
17 residential, commercial or industrial developments or connecting residential,
18 commercial or industrial developments to a municipal utility system or
19 systems if the fees are segregated and used only for capital expansion,
20 system enlargement or debt service of the utility system or systems.

21 2. Reimbursement or contribution compensation to any person or persons
22 owning a utility system for property and equipment installed to provide
23 utility access to, on or across the land of an actual utility consumer if the
24 property and equipment become the property of the utility. This deduction
25 shall not exceed the value of such property and equipment.

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

27 1. "Aircraft" includes:

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

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

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

37 H. For the purposes of subsection D of this section, "ancillary
38 services", "electric distribution service", "electric generation service",
39 "electric transmission service" and "other services" have the same meanings
40 prescribed in section 42-5063.

41 Sec. 26. Repeal

42 Section 42-5159, Arizona Revised Statutes, as amended by Laws 2013,
43 chapter 255, section 17, is repealed.

1 Sec. 27. Section 42-6004, Arizona Revised Statutes, as amended by Laws
2 2013, first regular session, chapter 27, section 2, chapter 120, section 2,
3 chapter 153, section 2 and chapter 236, section 6 and Laws 2013, first
4 special session, chapter 9, section 8, is amended to read:

5 42-6004. Exemption from municipal tax

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

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

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

17 3. Sales of warranty or service contracts.

18 4. Sales of motor vehicles to nonresidents of this state for use
19 outside this state if the ~~vendor~~ **MOTOR VEHICLE DEALER** ships or delivers the
20 motor vehicle to a destination outside this state.

21 5. Interest on finance contracts.

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

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

33 8. Orthodontic devices dispensed by a dental professional who is
34 licensed under title 32, chapter 11 to a patient as part of the practice of
35 dentistry.

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

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

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

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

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

6 12. Leasing real property between affiliated companies, businesses,
7 persons or reciprocal insurers. For the purposes of this paragraph:

8 (a) "Affiliated companies, businesses, persons or reciprocal insurers"
9 means the lessor holds a controlling interest in the lessee, the lessee holds
10 a controlling interest in the lessor, an affiliated entity holds a
11 controlling interest in both the lessor and the lessee or an unrelated person
12 holds a controlling interest in both the lessor and lessee.

13 (b) "Controlling interest" means direct or indirect ownership of at
14 least eighty per cent of the voting shares of a corporation or of the
15 interests in a company, business or person other than a corporation.

16 (c) "Reciprocal insurer" has the same meaning prescribed in section
17 20-762.

18 13. The gross proceeds of sales or gross income derived from a contract
19 for the installation, assembly, repair or maintenance of machinery, equipment
20 or other tangible personal property described in section 42-5061, subsection
21 B and that has independent functional utility, pursuant to the following
22 provisions:

23 (a) The deduction provided in this paragraph includes the gross
24 proceeds of sales or gross income derived from all of the following:

25 (i) Any activity performed on machinery, equipment or other tangible
26 personal property with independent functional utility.

27 (ii) Any activity performed on any tangible personal property relating
28 to machinery, equipment or other tangible personal property with independent
29 functional utility in furtherance of any of the purposes provided for under
30 subdivision (d) of this paragraph.

31 (iii) Any activity that is related to the activities described in
32 subdivision (a), items (i) and (ii) of this paragraph, including, but not
33 limited to, inspecting the installation of, or testing, the machinery,
34 equipment or other tangible personal property.

35 (b) The deduction provided in this paragraph does not include gross
36 proceeds of sales or gross income from the portion of any contracting
37 activity that consists of the development of, or modification to, real
38 property in order to facilitate the installation, assembly, repair,
39 maintenance or removal of machinery, equipment or other tangible personal
40 property described in section 42-5061, subsection B.

41 (c) The deduction provided in this paragraph shall be determined
42 without regard to the size or useful life of the machinery, equipment or
43 other tangible personal property.

44 (d) For the purposes of this paragraph, "independent functional
45 utility" means that the machinery, equipment or other tangible personal

1 property can independently perform its function without attachment to real
2 property, other than attachment for any of the following purposes:

3 (i) Assembling the machinery, equipment or other tangible personal
4 property.

5 (ii) Connecting items of machinery, equipment or other tangible
6 personal property to each other.

7 (iii) Connecting the machinery, equipment or other tangible personal
8 property, whether as an individual item or as a system of items, to water,
9 power, gas, communication or other services.

10 (iv) Stabilizing or protecting the machinery, equipment or other
11 tangible personal property during operation by bolting, burying or performing
12 other dissimilar nonpermanent connections to either real property or real
13 property improvements.

14 14. The leasing or renting of certified ignition interlock devices
15 installed pursuant to the requirements prescribed by section 28-1461. For
16 the purposes of this paragraph, "certified ignition interlock device" has the
17 same meaning prescribed in section 28-1301.

18 15. Computer data center equipment purchased by the owner, operator or
19 qualified colocation tenant of the computer data center or an authorized
20 agent of the owner, operator or qualified colocation tenant during the
21 qualification period for use in a computer data center that is certified by
22 the Arizona commerce authority under section 41-1519. To qualify for this
23 deduction, at the time of purchase, the owner, operator or qualified
24 colocation tenant must present to the retailer its certificate that is issued
25 pursuant to section 41-1519 and that establishes its qualification for the
26 deduction. For the purposes of this paragraph, "computer data center",
27 "computer data center equipment", "qualification period" and "qualified
28 colocation tenant" have the same meanings prescribed in section 41-1519.

29 16. THE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM A CONTRACT
30 WITH THE OWNER OF REAL PROPERTY FOR THE MAINTENANCE, REPAIR OR REPLACEMENT OF
31 EXISTING PROPERTY IS NOT SUBJECT TO TAX IF THE CONTRACT DOES NOT INCLUDE
32 MODIFICATION ACTIVITIES. FOR THE PURPOSES OF THIS PARAGRAPH:

33 (a) EACH CONTRACT OR PROJECT IS INDEPENDENT OF ANOTHER CONTRACT.

34 (b) "MODIFICATION" MEANS CONSTRUCTION, ALTERATION, ADDITION,
35 SUBTRACTION, IMPROVEMENT, MOVEMENT, WRECKAGE OR DEMOLITION.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 2. The waste tire disposal fee imposed pursuant to section 44-1302.
2 F. A city or town shall not levy a use tax on the storage, use or
3 consumption of tangible personal property in the city or town by a school
4 district or charter school.

5 Sec. 28. Repeal

6 Section 42-6004, Arizona Revised Statutes, as amended by Laws 2013,
7 chapter 255, section 20, is repealed.

8 Sec. 29. Retroactive application

9 A. Section 8 of this act applies retroactively to September 12, 2013.

10 B. Sections 9 and 10 of this act apply retroactively to September 13,
11 2013.

12 C. Sections 4, 5, 6, 7, 11, 12, 13 and 14 of this act apply
13 retroactively to from and after June 30, 2014.

14 Sec. 30. Effective date

15 Sections 2, 3, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27 and
16 28 of this act are effective from and after December 31, 2014.