

State of Arizona  
Senate  
Fifty-first Legislature  
Second Regular Session  
2014

**CHAPTER 7**  
**SENATE BILL 1413**

AN ACT

AMENDING SECTION 42-5063, ARIZONA REVISED STATUTES; AMENDING SECTION 42-5159, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 9, SECTION 7; AMENDING SECTION 42-5159, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 17; AMENDING TITLE 42, CHAPTER 6, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-6012; RELATING TO TAXES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 42-5063, Arizona Revised Statutes, is amended to  
3 read:

4 42-5063. Utilities classification; definitions

5 A. The utilities classification is comprised of the business of:

6 1. Producing and furnishing or furnishing to consumers natural or  
7 artificial gas and water.

8 2. Providing to retail electric customers ancillary services, electric  
9 distribution services, electric generation services, electric transmission  
10 services and other services related to providing electricity.

11 B. The utilities classification does not include:

12 1. Sales of ancillary services, electric distribution services,  
13 electric generation services, electric transmission services and other  
14 services related to providing electricity, gas or water to a person who  
15 resells the services.

16 2. Sales of natural gas or liquefied petroleum gas used to propel a  
17 motor vehicle.

18 3. Sales of alternative fuel, as defined in section 1-215, to a used  
19 oil fuel burner who has received a permit to burn used oil or used oil fuel  
20 under section 49-426 or 49-480.

21 4. Sales of ancillary services, electric distribution services,  
22 electric generation services, electric transmission services and other  
23 services that are related to providing electricity to a retail electric  
24 customer who is located outside this state for use outside this state if the  
25 electricity is delivered to a point of sale outside this state.

26 5. Sales or other transfers of renewable energy credits or any other  
27 unit created to track energy derived from renewable energy resources. For  
28 the purposes of this paragraph, "renewable energy credit" means a unit  
29 created administratively by the corporation commission or governing body of a  
30 public power utility to track kilowatt hours of electricity derived from a  
31 renewable energy resource or the kilowatt hour equivalent of conventional  
32 energy resources displaced by distributed renewable energy resources.

33 C. The tax base for the utilities classification is the gross proceeds  
34 of sales or gross income derived from the business, but the following shall  
35 be deducted from the tax base:

36 1. Revenues received by a municipally owned utility in the form of  
37 fees charged to persons constructing residential, commercial or industrial  
38 developments or connecting residential, commercial or industrial developments  
39 to a municipal utility system or systems if the fees are segregated and used  
40 only for capital expansion, system enlargement or debt service of the utility  
41 system or systems.

42 2. Revenues received by any person or persons owning a utility system  
43 in the form of reimbursement or contribution compensation for property and  
44 equipment installed to provide utility access to, on or across the land of an  
45 actual utility consumer if the property and equipment become the property of

1 the utility. This deduction shall not exceed the value of such property and  
2 equipment.

3 3. Gross proceeds of sales or gross income derived from sales to:

4 (a) Qualifying hospitals as defined in section 42-5001.

5 (b) A qualifying health care organization as defined in section  
6 42-5001 if the tangible personal property is used by the organization solely  
7 to provide health and medical related educational and charitable services.

8 4. The portion of gross proceeds of sales or gross income that is  
9 derived from sales to a qualified environmental technology manufacturer,  
10 producer or processor as defined in section 41-1514.02 of a utility product  
11 and that is used directly in environmental technology manufacturing,  
12 producing or processing. This paragraph shall apply for twenty full  
13 consecutive calendar or fiscal years from the date the first paper  
14 manufacturing machine is placed in service. In the case of a qualified  
15 environmental technology manufacturer, producer or processor who does not  
16 manufacture paper, the time period shall begin with the date the first  
17 manufacturing, processing or production equipment is placed in service.

18 5. The portion of gross proceeds of sales or gross income attributable  
19 to transfers of electricity by any retail electric customer owning a solar  
20 photovoltaic energy generating system to an electric distribution system, if  
21 the electricity transferred is generated by the customer's system.

22 6. GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM SALES OF  
23 ELECTRICITY OR NATURAL GAS TO A BUSINESS THAT IS PRINCIPALLY ENGAGED IN  
24 MANUFACTURING OR SMELTING OPERATIONS AND THAT USES AT LEAST FIFTY-ONE PER  
25 CENT OF THE ELECTRICITY OR NATURAL GAS IN THE MANUFACTURING OR SMELTING  
26 OPERATIONS. THIS PARAGRAPH DOES NOT APPLY TO GAS TRANSPORTATION  
27 SERVICES. FOR THE PURPOSES OF THIS PARAGRAPH:

28 (a) "GAS TRANSPORTATION SERVICES" MEANS THE SERVICES OF TRANSPORTING  
29 NATURAL GAS TO A NATURAL GAS CUSTOMER OR TO A NATURAL GAS DISTRIBUTION  
30 FACILITY IF THE NATURAL GAS WAS PURCHASED FROM A SUPPLIER OTHER THAN THE  
31 UTILITY.

32 (b) "MANUFACTURING" MEANS THE PERFORMANCE AS A BUSINESS OF AN  
33 INTEGRATED SERIES OF OPERATIONS THAT PLACES TANGIBLE PERSONAL PROPERTY IN A  
34 FORM, COMPOSITION OR CHARACTER DIFFERENT FROM THAT IN WHICH IT WAS ACQUIRED  
35 AND TRANSFORMS IT INTO A DIFFERENT PRODUCT WITH A DISTINCTIVE NAME, CHARACTER  
36 OR USE. MANUFACTURING DOES NOT INCLUDE PROCESSING, FABRICATING, JOB  
37 PRINTING, MINING, GENERATING ELECTRICITY OR OPERATING A RESTAURANT.

38 (c) "PRINCIPALLY ENGAGED" MEANS AT LEAST FIFTY-ONE PER CENT OF THE  
39 BUSINESS IS A MANUFACTURING OR SMELTING OPERATION.

40 (d) "SMELTING" MEANS TO MELT OR FUSE A METALLIFEROUS MINERAL, OFTEN  
41 WITH AN ACCOMPANYING CHEMICAL CHANGE, USUALLY TO SEPARATE THE METAL.

42 D. For the purposes of this section:

43 1. "Ancillary services" means those services so designated in federal  
44 energy regulatory commission order 888 adopted in 1996 that include the  
45 services necessary to support the transmission of electricity from resources

1 to loads while maintaining reliable operation of the transmission system  
2 according to good utility practice.

3 2. "Electric distribution service" means distributing electricity to  
4 retail electric customers through the use of electric distribution  
5 facilities.

6 3. "Electric generation service" means providing electricity for sale  
7 to retail electric customers but excluding electric distribution or  
8 transmission services.

9 4. "Electric transmission service" means transmitting electricity to  
10 retail electric customers or to electric distribution facilities so  
11 classified by the federal energy regulatory commission or, to the extent  
12 permitted by law, so classified by the Arizona corporation commission.

13 5. "Other services" includes metering, meter reading services, billing  
14 and collecting services.

15 6. "Retail electric customer" means a person who purchases electricity  
16 for that person's own use, including use in that person's trade or business  
17 and not for resale, redistribution or retransmission.

18 Sec. 2. Section 42-5159, Arizona Revised Statutes, as amended by Laws  
19 2013, first special session, chapter 9, section 7, is amended to read:

20 42-5159. Exemptions

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

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

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

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

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

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

1 of which in this state is subject to the tax imposed under article 8 of this  
2 chapter.

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

8 7. Purchases of implants used as growth promotants and injectable  
9 medicines, not already exempt under paragraph 16 of this subsection, for  
10 livestock and poultry owned by, or in possession of, persons who are engaged  
11 in 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 8. Livestock, poultry, supplies, feed, salts, vitamins and other  
15 additives for use or consumption in the businesses of farming, ranching and  
16 feeding livestock or poultry, not including fertilizers, herbicides and  
17 insecticides. For the purposes of this paragraph, "poultry" includes  
18 ratites.

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

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

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

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

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

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

35 13. Tangible personal property purchased by:

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

39 (b) A hospital operated by this state or a political subdivision of  
40 this state.

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

1 (d) A qualifying health care organization, as defined in section  
2 42-5001, if the tangible personal property is used by the organization solely  
3 to provide health and medical related educational and charitable services.

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

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

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

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

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

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

27 (i) A qualifying community health center as defined in section  
28 42-5001.

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

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

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

45 14. Commodities, as defined by title 7 United States Code section 2,  
46 that are consigned for resale in a warehouse in this state in or from which

1 the commodity is deliverable on a contract for future delivery subject to the  
2 rules of a commodity market regulated by the United States commodity futures  
3 trading commission.

4 15. Tangible personal property sold by:

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

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

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

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

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

25 18. Prescription eyeglasses and contact lenses.

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

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

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

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

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

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

44 25. Tangible personal property that is used or consumed in a business  
45 subject to section 42-5074 for human food, drink or condiment, whether  
46 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  
46 is produced for the purpose of causing or permitting a chemical or physical



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

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

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

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

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

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

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

42 40. Through December 31, 1994, tangible personal property sold pursuant  
43 to a personal property liquidation transaction, as defined in section  
44 42-5061. From and after December 31, 1994, tangible personal property sold  
45 pursuant to a personal property liquidation transaction, as defined in  
46 section 42-5061, if the gross proceeds of the sales were included in the

1 measure of the tax imposed by article 1 of this chapter or if the personal  
2 property liquidation was a casual activity or transaction.

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

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

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

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

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

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

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

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

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

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

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

45 50. Application services that are designed to assess or test student  
46 learning or to promote curriculum design or enhancement purchased by or for

1 any school district, charter school, community college or state university.  
2 For the purposes of this paragraph:

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

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

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

12 52. Repair parts installed in equipment used directly by a qualified  
13 business under section 41-1516 in harvesting, processing or transporting  
14 qualifying forest products removed from qualifying projects as defined in  
15 section 41-1516.

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

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

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

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

44 2. Machinery, or equipment, used directly in the process of extracting  
45 ores or minerals from the earth for commercial purposes, including equipment  
46 required to prepare the materials for extraction and handling, loading or

1 transporting such extracted material to the surface. "Mining" includes  
2 underground, surface and open pit operations for extracting ores and  
3 minerals.

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

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

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

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

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

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

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

32 8. Machinery, tools, equipment and related supplies used or consumed  
33 directly in repairing, remodeling or maintaining aircraft, aircraft engines  
34 or aircraft component parts by or on behalf of a certificated or licensed  
35 carrier of persons or property.

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

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

41 11. Buses or other urban mass transit vehicles which are used directly  
42 to transport persons or property for hire or pursuant to a governmentally  
43 adopted and controlled urban mass transportation program and which are sold  
44 to bus companies holding a federal certificate of convenience and necessity  
45 or operated by any city, town or other governmental entity or by any person

1 contracting with such governmental entity as part of a governmentally adopted  
2 and controlled program to provide urban mass transportation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12 C. The exemptions provided by subsection B of this section do not  
13 include:

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

18 2. Janitorial equipment and hand tools.

19 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

37 2. Revenues received from providing electricity, including ancillary  
38 services, electric distribution services, electric generation services,  
39 electric transmission services and other services related to providing  
40 electricity with respect to which the transaction privilege tax imposed under  
41 section 42-5063 has been paid.

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

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

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

6           2. Reimbursement or contribution compensation to any person or persons  
7 owning a utility system for property and equipment installed to provide  
8 utility access to, on or across the land of an actual utility consumer if the  
9 property and equipment become the property of the utility. This deduction  
10 shall not exceed the value of such property and equipment.

11           G. THE TAX LEVIED BY THIS ARTICLE DOES NOT APPLY TO THE PURCHASE PRICE  
12 OF ELECTRICITY OR NATURAL GAS BY A BUSINESS THAT IS PRINCIPALLY ENGAGED IN  
13 MANUFACTURING OR SMELTING OPERATIONS AND THAT USES AT LEAST FIFTY-ONE PER  
14 CENT OF THE ELECTRICITY OR NATURAL GAS IN THE MANUFACTURING OR SMELTING  
15 OPERATIONS. THIS SUBSECTION DOES NOT APPLY TO GAS TRANSPORTATION  
16 SERVICES. FOR THE PURPOSES OF THIS SUBSECTION:

17           1. "GAS TRANSPORTATION SERVICES" MEANS THE SERVICES OF TRANSPORTING  
18 NATURAL GAS TO A NATURAL GAS CUSTOMER OR TO A NATURAL GAS DISTRIBUTION  
19 FACILITY IF THE NATURAL GAS WAS PURCHASED FROM A SUPPLIER OTHER THAN THE  
20 UTILITY.

21           2. "MANUFACTURING" MEANS THE PERFORMANCE AS A BUSINESS OF AN  
22 INTEGRATED SERIES OF OPERATIONS THAT PLACES TANGIBLE PERSONAL PROPERTY IN A  
23 FORM, COMPOSITION OR CHARACTER DIFFERENT FROM THAT IN WHICH IT WAS ACQUIRED  
24 AND TRANSFORMS IT INTO A DIFFERENT PRODUCT WITH A DISTINCTIVE NAME, CHARACTER  
25 OR USE. MANUFACTURING DOES NOT INCLUDE PROCESSING, FABRICATING, JOB  
26 PRINTING, MINING, GENERATING ELECTRICITY OR OPERATING A RESTAURANT.

27           3. "PRINCIPALLY ENGAGED" MEANS AT LEAST FIFTY-ONE PER CENT OF THE  
28 BUSINESS IS A MANUFACTURING OR SMELTING OPERATION.

29           4. "SMELTING" MEANS TO MELT OR FUSE A METALLIFEROUS MINERAL, OFTEN  
30 WITH AN ACCOMPANYING CHEMICAL CHANGE, USUALLY TO SEPARATE THE METAL.

31           ~~G.~~ H. For the purposes of subsection B of this section:

32           1. "Aircraft" includes:

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

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

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

42           ~~H.~~ I. For the purposes of subsection D of this section, "ancillary  
43 services", "electric distribution service", "electric generation service",  
44 "electric transmission service" and "other services" have the same meanings  
45 prescribed in section 42-5063.



1           Sec. 3. Section 42-5159, Arizona Revised Statutes, as amended by Laws  
2 2013, chapter 255, section 17, is amended to read:

3           42-5159. Exemptions

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

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

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

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

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

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

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

36           7. Purchases of implants used as growth promotants and injectable  
37 medicines, not already exempt under paragraph 16 of this subsection, for  
38 livestock and poultry owned by, or in possession of, persons who are engaged  
39 in producing livestock, poultry, or livestock or poultry products, or who are  
40 engaged in feeding livestock or poultry commercially. For the purposes of  
41 this paragraph, "poultry" includes ratites.

42           8. Livestock, poultry, supplies, feed, salts, vitamins and other  
43 additives for use or consumption in the businesses of farming, ranching and  
44 feeding livestock or poultry, not including fertilizers, herbicides and  
45 insecticides. For the purposes of this paragraph, "poultry" includes  
46 ratites.

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

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

7           11. Advertising supplements that are intended for sale with newspapers  
8 published in this state and that have already been subjected to an excise tax  
9 under the laws of another state in the United States that equals or exceeds  
10 the tax imposed by this article.

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

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

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

17           13. Tangible personal property purchased by:

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

21           (b) A hospital operated by this state or a political subdivision of  
22 this state.

23           (c) A licensed nursing care institution or a licensed residential care  
24 institution or a residential care facility operated in conjunction with a  
25 licensed nursing care institution or a licensed kidney dialysis center, which  
26 provides medical services, nursing services or health related services and is  
27 not used or held for profit.

28           (d) A qualifying health care organization, as defined in section  
29 42-5001, if the tangible personal property is used by the organization solely  
30 to provide health and medical related educational and charitable services.

31           (e) A qualifying health care organization as defined in section  
32 42-5001 if the organization is dedicated to providing educational,  
33 therapeutic, rehabilitative and family medical education training for blind,  
34 visually impaired and multihandicapped children from the time of birth to age  
35 twenty-one.

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

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

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

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

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

9 (i) A qualifying community health center as defined in section  
10 42-5001.

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

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

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

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

32 15. Tangible personal property sold by:

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

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

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

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

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

8           18. Prescription eyeglasses and contact lenses.

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

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

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

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

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

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

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

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

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

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

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

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

44          31. Coal, petroleum, coke, natural gas, virgin fuel oil and electricity  
45 purchased by a qualified environmental technology manufacturer, producer or  
46 processor as defined in section 41-1514.02 and directly used or consumed in

1 the generation or provision of on-site power or energy solely for  
2 environmental technology manufacturing, producing or processing or  
3 environmental protection. This paragraph shall apply for twenty full  
4 consecutive calendar or fiscal years from the date the first paper  
5 manufacturing machine is placed in service. In the case of an environmental  
6 technology manufacturer, producer or processor who does not manufacture  
7 paper, the time period shall begin with the date the first manufacturing,  
8 processing or production equipment is placed in service.

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

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

13 (b) Public educational institutions.

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

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

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

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

37 36. Food, drink and condiment purchased for consumption within the  
38 premises of any prison, jail or other institution under the jurisdiction of  
39 the state department of corrections, the department of public safety, the  
40 department of juvenile corrections or a county sheriff.

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

1           38. Tangible personal property that is or directly enters into and  
2 becomes an ingredient or component part of cards used as prescription plan  
3 identification cards.

4           39. Overhead materials or other tangible personal property that is used  
5 in performing a contract between the United States government and a  
6 manufacturer, modifier, assembler or repairer, including property used in  
7 performing a subcontract with a government contractor who is a manufacturer,  
8 modifier, assembler or repairer, to which title passes to the government  
9 under the terms of the contract or subcontract. For the purposes of this  
10 paragraph:

11           (a) "Overhead materials" means tangible personal property, the gross  
12 proceeds of sales or gross income derived from which would otherwise be  
13 included in the retail classification, that is 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           (b) "Subcontract" means an agreement between a contractor and any  
19 person who is not an employee of the contractor for furnishing of supplies or  
20 services that, in whole or in part, are necessary to the performance of one  
21 or more government contracts, or under which any portion of the contractor's  
22 obligation under one or more government contracts is performed, undertaken or  
23 assumed, and that includes provisions causing title to overhead materials or  
24 other tangible personal property used in the performance of the subcontract  
25 to pass to the government or that includes provisions incorporating such  
26 title passing clauses in a government contract into the subcontract.

27           40. Through December 31, 1994, tangible personal property sold pursuant  
28 to a personal property liquidation transaction, as defined in section  
29 42-5061. From and after December 31, 1994, tangible personal property sold  
30 pursuant to a personal property liquidation transaction, as defined in  
31 section 42-5061, if the gross proceeds of the sales were included in the  
32 measure of the tax imposed by article 1 of this chapter or if the personal  
33 property liquidation was a casual activity or transaction.

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

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

40           43. Tangible personal property purchased by a commercial airline and  
41 consisting of food, beverages and condiments and accessories used for serving  
42 the food and beverages, if those items are to be provided without additional  
43 charge to passengers for consumption in flight. For the purposes of this  
44 paragraph, "commercial airline" means a person holding a federal certificate  
45 of public convenience and necessity or foreign air carrier permit for air

1 transportation to transport persons, property or United States mail in  
2 intrastate, interstate or foreign commerce.

3 44. Alternative fuel vehicles if the vehicle was manufactured as a  
4 diesel fuel vehicle and converted to operate on alternative fuel and  
5 equipment that is installed in a conventional diesel fuel motor vehicle to  
6 convert the vehicle to operate on an alternative fuel, as defined in section  
7 1-215.

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

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

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

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

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

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

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

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

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

37 (b) "Curriculum design or enhancement" means planning, implementing or  
38 reporting on courses of study, lessons, assignments or other learning  
39 activities.

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

44 52. Repair parts installed in equipment used directly by a qualified  
45 business under section 41-1516 in harvesting, processing or transporting

1 qualifying forest products removed from qualifying projects as defined in  
2 section 41-1516.

3 53. Renewable energy credits or any other unit created to track energy  
4 derived from renewable energy resources. For the purposes of this paragraph,  
5 "renewable energy credit" means a unit created administratively by the  
6 corporation commission or governing body of a public power entity to track  
7 kilowatt hours of electricity derived from a renewable energy resource or the  
8 kilowatt hour equivalent of conventional energy resources displaced by  
9 distributed renewable energy resources.

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

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

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

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

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

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

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

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

45 (a) A person holding a federal certificate of public convenience and  
46 necessity, a supplemental air carrier certificate under federal aviation



1 regulations (14 Code of Federal Regulations part 121) or a foreign air  
2 carrier permit for air transportation for use as or in conjunction with or  
3 becoming a part of aircraft to be used to transport persons, property or  
4 United States mail in intrastate, interstate or foreign commerce.

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

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

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

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

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

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

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

32 (a) "New machinery and equipment" means machinery or equipment that  
33 has never been sold at retail except pursuant to leases or rentals that do  
34 not total two years or more.

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

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

1 included in the definition of research and development, or other  
2 nontechnological activities or technical services.

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

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

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

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

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

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

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

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

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

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

44 18. Machinery or equipment, including related structural components,  
45 that is employed in connection with manufacturing, processing, fabricating,  
46 job printing, refining, mining, natural gas pipelines, metallurgical

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

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

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

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

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

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

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

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

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

39 2. Janitorial equipment and hand tools.

40 3. Office equipment, furniture and supplies.

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

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

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

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

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

6 8. Machinery and equipment or tangible personal property used by a  
7 contractor in the performance of a contract.

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

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

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

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

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

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

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

35 G. THE TAX LEVIED BY THIS ARTICLE DOES NOT APPLY TO THE PURCHASE PRICE  
36 OF ELECTRICITY OR NATURAL GAS BY A BUSINESS THAT IS PRINCIPALLY ENGAGED IN  
37 MANUFACTURING OR SMELTING OPERATIONS AND THAT USES AT LEAST FIFTY-ONE PER  
38 CENT OF THE ELECTRICITY OR NATURAL GAS IN THE MANUFACTURING OR SMELTING  
39 OPERATIONS. THIS SUBSECTION DOES NOT APPLY TO GAS TRANSPORTATION  
40 SERVICES. FOR THE PURPOSES OF THIS SUBSECTION:

41 1. "GAS TRANSPORTATION SERVICES" MEANS THE SERVICES OF TRANSPORTING  
42 NATURAL GAS TO A NATURAL GAS CUSTOMER OR TO A NATURAL GAS DISTRIBUTION  
43 FACILITY IF THE NATURAL GAS WAS PURCHASED FROM A SUPPLIER OTHER THAN THE  
44 UTILITY.

45 2. "MANUFACTURING" MEANS THE PERFORMANCE AS A BUSINESS OF AN  
46 INTEGRATED SERIES OF OPERATIONS THAT PLACES TANGIBLE PERSONAL PROPERTY IN A

1 FORM, COMPOSITION OR CHARACTER DIFFERENT FROM THAT IN WHICH IT WAS ACQUIRED  
2 AND TRANSFORMS IT INTO A DIFFERENT PRODUCT WITH A DISTINCTIVE NAME, CHARACTER  
3 OR USE. MANUFACTURING DOES NOT INCLUDE PROCESSING, FABRICATING, JOB  
4 PRINTING, MINING, GENERATING ELECTRICITY OR OPERATING A RESTAURANT.

5 3. "PRINCIPALLY ENGAGED" MEANS AT LEAST FIFTY-ONE PER CENT OF THE  
6 BUSINESS IS A MANUFACTURING OR SMELTING OPERATION.

7 4. "SMELTING" MEANS TO MELT OR FUSE A METALLIFEROUS MINERAL, OFTEN  
8 WITH AN ACCOMPANYING CHEMICAL CHANGE, USUALLY TO SEPARATE THE METAL.

9 ~~G.~~ H. For the purposes of subsection B of this section:

10 1. "Aircraft" includes:

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

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

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

20 ~~H.~~ I. For the purposes of subsection D of this section, "ancillary  
21 services", "electric distribution service", "electric generation service",  
22 "electric transmission service" and "other services" have the same meanings  
23 prescribed in section 42-5063.

24 Sec. 4. Title 42, chapter 6, article 1, Arizona Revised Statutes, is  
25 amended by adding section 42-6012, to read:

26 42-6012. Municipal transaction privilege tax: sales of  
27 electricity or natural gas: definitions

28 A. A CITY OR TOWN THAT LEVIES A TRANSACTION PRIVILEGE, SALES, GROSS  
29 RECEIPTS, USE, FRANCHISE OR OTHER SIMILAR FEE OR TAX, HOWEVER DENOMINATED, ON  
30 THE BUSINESS OF PRODUCING, PROVIDING OR FURNISHING ELECTRICITY, ELECTRIC  
31 LIGHTS, CURRENT, POWER OR NATURAL GAS SHALL EITHER TAX OR EXEMPT IN WHOLE THE  
32 GROSS PROCEEDS OF SALES OR GROSS INCOME FROM SALES BY THOSE BUSINESSES TO  
33 BUSINESSES THAT USE AT LEAST FIFTY-ONE PER CENT OF THE ELECTRICITY, ELECTRIC  
34 LIGHTS, CURRENT, POWER OR NATURAL GAS IN A MANUFACTURING OR SMELTING  
35 OPERATION LOCATED IN THAT CITY OR TOWN. THIS SUBSECTION DOES NOT APPLY TO  
36 GAS TRANSPORTATION SERVICES.

37 B. FOR THE PURPOSES OF THIS SECTION:

38 1. "GAS TRANSPORTATION SERVICES" MEANS THE SERVICES OF TRANSPORTING  
39 NATURAL GAS TO A NATURAL GAS CUSTOMER OR TO A NATURAL GAS DISTRIBUTION  
40 FACILITY IF THE NATURAL GAS WAS PURCHASED FROM A SUPPLIER OTHER THAN THE  
41 UTILITY.

42 2. "MANUFACTURING" MEANS THE PERFORMANCE AS A BUSINESS OF AN  
43 INTEGRATED SERIES OF OPERATIONS THAT PLACES TANGIBLE PERSONAL PROPERTY IN A  
44 FORM, COMPOSITION OR CHARACTER DIFFERENT FROM THAT IN WHICH IT WAS ACQUIRED  
45 AND TRANSFORMS IT INTO A DIFFERENT PRODUCT WITH A DISTINCTIVE NAME, CHARACTER

1 OR USE. MANUFACTURING DOES NOT INCLUDE PROCESSING, FABRICATING, JOB  
2 PRINTING, MINING, GENERATING ELECTRICITY OR OPERATING A RESTAURANT.

3 3. "SMELTING" MEANS TO MELT OR FUSE A METALLIFEROUS MINERAL, OFTEN  
4 WITH AN ACCOMPANYING CHEMICAL CHANGE, USUALLY TO SEPARATE THE METAL.

5 Sec. 5. Effective date

6 A. Section 42-5063, Arizona Revised Statutes, as amended by this act,  
7 section 42-5159, Arizona Revised Statutes, as amended by Laws 2013, first  
8 special session, chapter 9, section 7 and this act, and section 42-6012,  
9 Arizona Revised Statutes, as added by this act, are effective from and after  
10 the last day of the month of the general effective date of the fifty-first  
11 legislature, second regular session.

12 B. Section 42-5159, Arizona Revised Statutes, as amended by Laws 2013,  
13 chapter 255, section 17 and this act, is effective from and after December  
14 31, 2014.

APPROVED BY THE GOVERNOR APRIL 11, 2014.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 11, 2014.