

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

**CHAPTER 211**  
**HOUSE BILL 2522**

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 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 42-5061, 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 42-5159, 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; 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 41-619.51, Arizona Revised Statutes, was amended by Laws  
12 2013, chapter 128, section 11 and chapter 129, section 24. The chapter 129  
13 version could not be blended because of the delayed effective date. In order  
14 to combine these versions, this act amends the Laws 2013, chapter 128 version  
15 of section 41-619.51, Arizona Revised Statutes, to incorporate the amendments  
16 made by Laws 2013, chapter 129 and the chapter 129 version is repealed.

17 3. Section 41-1005, Arizona Revised Statutes, was amended by Laws  
18 2013, first regular session, chapter 197, section 24 and chapter 231, section  
19 4 and Laws 2013, first special session, chapter 10, section 10. The Laws  
20 2013, first regular session, chapter 231 version could not be blended because  
21 it failed to amend the Laws 2013, first regular session, chapter 197 version,  
22 which became effective on the governor's signature pursuant to article IX,  
23 section 22, Constitution of Arizona, and therefore did not comply with  
24 article IV, part 2, section 14, Constitution of Arizona. To accomplish the  
25 intent of these enactments, this act amends the Laws 2013, first special  
26 session, chapter 10 version of section 41-1005, Arizona Revised Statutes, to  
27 incorporate the amendments made by Laws 2013, first regular session, chapter  
28 231 and the chapter 231 version is repealed.

29 4. Laws 2013, chapter 231, section 3 attempted to repeal the version  
30 of section 41-1005, as amended by Senate Bill 1223, section 24, Fifty-first  
31 Legislature, First Regular Session. However, to repeal the changes made in  
32 Senate Bill 1223, the section must be set forth and published at full length  
33 pursuant to article IV, part 2, section 14, Constitution of Arizona. In  
34 order to correct a potentially defective enactment, this act repeals Laws  
35 2013, chapter 231, section 3.

36 5. Section 41-1758, Arizona Revised Statutes, was amended by Laws  
37 2013, chapter 128, section 12, chapter 129, section 25 and chapter 174,  
38 section 2. The chapter 129 version could not be blended because of the  
39 delayed effective date. In order to combine these versions, this act amends  
40 the blend version of section 41-1758, Arizona Revised Statutes, to  
41 incorporate the amendments made by Laws 2013, chapter 129 and the chapter 129  
42 version is repealed.

43 6. Section 41-1758.01, Arizona Revised Statutes, was amended by Laws  
44 2013, chapter 128, section 13, chapter 129, section 26 and chapter 174,  
45 section 3. The chapter 129 version could not be blended because of the  
46 delayed effective date. In order to combine these versions, this act amends

1 the blend version of section 41-1758.01, Arizona Revised Statutes, to  
2 incorporate the amendments made by Laws 2013, chapter 129 and the chapter 129  
3 version is repealed.

4 7. Section 42-2003, Arizona Revised Statutes, was amended by Laws  
5 2013, first regular session, chapter 40, section 2, chapter 114, section 6,  
6 chapter 222, section 3 and chapter 255, section 2 and Laws 2013, first  
7 special session, chapter 9, section 3. The Laws 2013, chapter 255 version  
8 could not be blended because of the delayed effective date. In order to  
9 combine these versions, this act amends the blend version of section 42-2003,  
10 Arizona Revised Statutes, to incorporate the amendments made by Laws 2013,  
11 chapter 255 and the chapter 255 version is repealed.

12 8. Section 42-5061, Arizona Revised Statutes, was amended by Laws  
13 2013, first regular session, chapter 120, section 1, chapter 233, section 1  
14 and chapter 255, section 13 and Laws 2013, first special session, chapter 9,  
15 section 5. The Laws 2013, chapter 255 version could not be blended because  
16 of the delayed effective date. In order to combine these versions, this act  
17 amends the blend version of section 42-5061, Arizona Revised Statutes, to  
18 incorporate the amendments made by Laws 2013, chapter 255 and the chapter 255  
19 version is repealed.

20 9. Section 42-5071, Arizona Revised Statutes, was amended by Laws  
21 2013, chapter 114, section 7, chapter 236, section 2 and chapter 255,  
22 section 14. The chapter 255 version could not be blended because of the  
23 delayed effective date. In order to combine these versions, this act amends  
24 the blend version of section 42-5071, Arizona Revised Statutes, to  
25 incorporate the amendments made by Laws 2013, chapter 255 and the chapter 255  
26 version is repealed.

27 10. Section 42-5159, Arizona Revised Statutes, was amended by Laws  
28 2013, first regular session, chapter 255, section 17 and Laws 2013, first  
29 special session, chapter 9, section 7. The Laws 2013, chapter 255 version  
30 could not be blended because of the delayed effective date. In order to  
31 combine these versions, this act amends the Laws 2013, first special session,  
32 chapter 9 version of section 42-5159, Arizona Revised Statutes, to  
33 incorporate the amendments made by Laws 2013, chapter 255 and the chapter 255  
34 version is repealed.

35 Sec. 2. Section 15-448, Arizona Revised Statutes, as amended by Laws  
36 2013, first regular session, chapter 10, section 1 and Laws 2013, first  
37 special session, chapter 3, section 8, is amended to read:

38 15-448. Formation of unified school district; board membership;  
39 budget

40 A. One or more common school districts and a high school district with  
41 coterminous or overlapping boundaries may establish a unified school district  
42 pursuant to this section. Unification of a common school district and a high  
43 school district is not authorized by this section if any of the high school  
44 facilities owned by the new unified school district would not be located  
45 within its boundaries.

1           B. Formation of a unified school district shall be by resolutions  
2 approved by the governing boards of the unifying school districts and  
3 certification of approval by such governing boards to the county school  
4 superintendent of the county or counties in which such individual school  
5 districts are located. A common school district and high school district  
6 that unify pursuant to this section shall not exclude from the same  
7 unification a common school district that has overlapping boundaries with the  
8 high school district and that wishes to unify. Except as provided in  
9 subsection D of this section, the formation of a unified school district  
10 shall become effective on July 1 of the next fiscal year following the  
11 certification of the county school superintendent. An election shall not be  
12 required to form a unified school district pursuant to this section. At  
13 least ninety days before the governing boards vote on the resolutions  
14 prescribed in this subsection, the governing boards shall mail a pamphlet to  
15 each household with one or more qualified electors that shall list the full  
16 cash value, the assessed valuation and the estimated amount of the primary  
17 property taxes and the estimated amount of the secondary property taxes under  
18 the proposed unification for each of the following:

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

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

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

26           4. A business whose assessed valuation is the average of the assessed  
27 valuation of property classified as class one, as prescribed by section  
28 42-12001, paragraphs 12 and 13 for the current year in the school district.

29           C. The boundaries of the unified school district shall be the  
30 boundaries of the former common school district or districts that unify. The  
31 boundaries of the common school district or districts that are not unifying  
32 remain unchanged. The county school superintendent, immediately on receipt  
33 of the approved resolutions prescribed by subsection B of this section, shall  
34 file with the board of supervisors, the county assessor and the  
35 superintendent of public instruction a transcript of the boundaries of the  
36 unified school district. The boundaries shown in the transcript shall become  
37 the legal boundaries of the school districts on July 1 of the next fiscal  
38 year.

39           D. On formation of the unified school district, the governing board  
40 consists of the members of the former school district governing boards and  
41 the members shall hold office until January 1 following the first general  
42 election after formation of the district. For the purpose of all actions  
43 that are necessary for the operation of the unified district for the next  
44 year, the unified school district governing board is constituted and may  
45 conduct meetings after the adoption of the unification resolutions prescribed  
46 by subsection B of this section.

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

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

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

10 F. The new unified school district may appoint a resident of the  
11 remaining common school district to serve as a nonvoting member of the  
12 governing board to represent the interests of the high school pupils who  
13 reside in the remaining common school district and who attend school in the  
14 unified school district.

15 G. For the first year of operation, the unified school district  
16 governing board shall prepare a consolidated budget based on the student  
17 counts from the school districts comprising the unified school district,  
18 except that for purposes of determining budget amounts and equalization  
19 assistance, the student count for the former high school district shall not  
20 include the prior year average daily membership attributable to high school  
21 pupils from a common school district that was part of the former high school  
22 district but is not part of the unified school district. The unified school  
23 district shall charge the remaining common school district tuition for these  
24 pupils as provided in subsection J of this section. The unified school  
25 district may budget for unification assistance pursuant to section 15-912.01.

26 H. The governing board of the unified school district shall prepare  
27 policies, curricula and budgets for the district. These policies shall  
28 require that:

29 1. The base compensation of each certificated teacher for the first  
30 year of operation of the new unified school district shall not be lower than  
31 the certificated teacher's base compensation for the prior year in the  
32 previously existing school districts.

33 2. The certificated teacher's years of employment in the previously  
34 existing school districts shall be included in determining the teacher's  
35 certificated years of employment in the new unified school district.

36 I. On formation of a unified school district, any existing override  
37 authorization of the former high school district and the former common school  
38 district or districts shall continue until expiration based on the revenue  
39 control limit of the school district or districts that had override  
40 authorization prior to unification. The unified school district may request  
41 new override authorization for the budget year as provided in section 15-481  
42 based on the combined revenue control limit of the new district after  
43 unification. If the unified school district's request for override  
44 authorization is approved, it will replace any existing override for the  
45 budget year.

1 J. The unified school district shall admit high school pupils who  
2 reside in a common school district that was located within the boundaries of  
3 the former high school district. Tuition shall be paid to the unified school  
4 district by the common school district in which such pupils reside. Such  
5 tuition amount shall be calculated in accordance with section 15-824, subject  
6 to the following modifications:

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

12 (a) Divide the total ~~secondary~~ NET assessed valuation of the common  
13 school district in which the group of pupils resides by the total ~~secondary~~  
14 NET assessed valuation of the former high school district. For the purposes  
15 of this subdivision, "~~secondary~~ NET assessed valuation" means ~~secondary~~ NET  
16 assessed valuation for the tax year prior to the year when the unified school  
17 district governing board is constituted pursuant to subsection D of this  
18 section and includes the values used to determine voluntary contributions  
19 collected pursuant to title 9, chapter 4, article 3 and title 48, chapter 1,  
20 article 8.

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

23 2. The debt service portion of such tuition payments calculated  
24 pursuant to paragraph 1 of this subsection shall be used exclusively for debt  
25 service of the outstanding bonded indebtedness of the former high school  
26 district. When such indebtedness is fully extinguished, the debt service  
27 portion of a pupil's tuition shall be determined in accordance with paragraph  
28 3 of this subsection.

29 3. If the former high school district had no outstanding bonded  
30 indebtedness at the time of unification, the tuition calculation shall  
31 include the actual school district expenditures for the portion of any debt  
32 service of the unified school district that pertains to any construction or  
33 renovation of high school facilities divided by the school district's student  
34 count for the high school portion of the school district.

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

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

41 K. All assets and liabilities of the unifying school districts shall  
42 be transferred and assumed by the new unified school district. Any existing  
43 bonded indebtedness of a common school district or a high school district  
44 unifying pursuant to this section shall be assumed by the new unified school  
45 district and shall be regarded as an indebtedness of the new unified school  
46 district for the purpose of determining the debt incurring authority of the

1 district. Taxes for the payment of such bonded indebtedness shall be levied  
2 on all taxable property in the new unified school district, but nothing in  
3 this subsection shall be construed to relieve from liability to taxation for  
4 the payment of all taxable property of the former high school district if  
5 necessary to prevent a default in the payment of any bonded indebtedness of  
6 the former high school district. The residents of a common school district  
7 that does not unify shall not vote in bond or override elections of the  
8 unified school district and shall not be assessed taxes as a result of a bond  
9 or override election of the unified school district.

10 L. If the remaining common school district had authorization for an  
11 override as provided in section 15-481 or 15-482, the override authorization  
12 continues for the remaining common school district or districts in the same  
13 manner as before the formation of the unified school district.

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

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

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

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

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

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

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

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

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

39 2. Multiply the amount determined in paragraph 1 of this subsection by  
40 six hundred.

41 3. Multiply the amount determined in paragraph 2 of this subsection by  
42 0.80.

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

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

6 Sec. 3. Repeal

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

9 Sec. 4. Section 41-619.51, Arizona Revised Statutes, as amended by  
10 Laws 2013, chapter 128, section 11, is amended to read:

11 41-619.51. Definitions

12 In this article, unless the context otherwise requires:

13 1. "Agency" means the supreme court, the department of economic  
14 security, the department of education, the department of health services, the  
15 department of juvenile corrections, the department of emergency and military  
16 affairs, the department of transportation, the state real estate department  
17 or the board of examiners of nursing care institution administrators and  
18 assisted living facility managers.

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

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

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

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

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

- 32 (a) Section 8-105.
- 33 (b) Section 8-322.
- 34 (c) Section 8-509.
- 35 (d) Section 8-802.
- 36 (e) Section 8-804.
- 37 (f) Section 8-804.01.
- 38 (g) Section 15-183.
- 39 (h) Section 15-534.
- 40 (i) Section 15-782.02.
- 41 (j) Section 15-1330.
- 42 (k) Section 15-1881.
- 43 (l) Section 17-215.
- 44 (m) Section 26-103.
- 45 (n) SECTION 28-3413.
- 46 ~~(n)~~ (o) Section 32-2108.01.

- 1       ~~(o)~~ (p) Section 32-2123.
- 2       ~~(p)~~ (q) Section 32-2371.
- 3       ~~(q)~~ (r) Section 32-2372.
- 4       ~~(r)~~ (s) Section 36-207.
- 5       ~~(s)~~ (t) Section 36-411.
- 6       ~~(t)~~ (u) Section 36-425.03.
- 7       ~~(u)~~ (v) Section 36-446.04.
- 8       ~~(v)~~ (w) Section 36-594.01.
- 9       ~~(w)~~ (x) Section 36-594.02.
- 10      ~~(x)~~ (y) Section 36-882.
- 11      ~~(y)~~ (z) Section 36-883.02.
- 12      ~~(z)~~ (aa) Section 36-897.01.
- 13      ~~(aa)~~ (bb) Section 36-897.03.
- 14      ~~(bb)~~ (cc) Section 36-3008.
- 15      ~~(cc)~~ (dd) Section 41-619.53.
- 16      ~~(dd)~~ (ee) Section 41-1964.
- 17      ~~(ee)~~ (ff) Section 41-1967.01.
- 18      ~~(ff)~~ (gg) Section 41-1968.
- 19      ~~(gg)~~ (hh) Section 41-1969.
- 20      ~~(hh)~~ (ii) Section 41-2814.
- 21      ~~(ii)~~ (jj) Section 46-141, subsection A.
- 22      ~~(jj)~~ (kk) Section 46-321.

23       Sec. 5. Repeal

24       Section ~~41-619.51~~, Arizona Revised Statutes, as amended by Laws 2013,  
25 chapter 129, section 24, is repealed.

26       Sec. 6. Section 41-1005, Arizona Revised Statutes, as amended by Laws  
27 2013, first special session, chapter 10, section 10, is amended to read:

28       ~~41-1005.~~ Exemptions

29       A. This chapter does not apply to any:

30       1. Rule that relates to the use of public works, including streets and  
31 highways, under the jurisdiction of an agency if the effect of the order is  
32 indicated to the public by means of signs or signals.

33       2. Order or rule of the Arizona game and fish commission ~~adopted~~  
34 ~~pursuant to section 5-321 or 5-327 that establishes a fee or section 17-333~~  
35 ~~that establishes a license classification, fee or application fee~~ THAT DOES  
36 THE FOLLOWING:

37       (a) **OPENS, CLOSSES OR ALTERS SEASONS OR ESTABLISHES BAG OR POSSESSION**  
38 **LIMITS FOR WILDLIFE.**

39       (b) **ESTABLISHES A FEE PURSUANT TO SECTION 5-321, 5-322 OR 5-327.**

40       (c) **ESTABLISHES A LICENSE CLASSIFICATION, FEE OR APPLICATION FEE**  
41 **PURSUANT TO TITLE 17, CHAPTER 3, ARTICLE 2.**

42       3. Rule relating to section 28-641 or to any rule regulating motor  
43 vehicle operation that relates to speed, parking, standing, stopping or  
44 passing enacted pursuant to title 28, chapter 3.

- 1           4. Rule concerning only the internal management of an agency that does  
2 not directly and substantially affect the procedural or substantive rights or  
3 duties of any segment of the public.
- 4           5. Rule that only establishes specific prices to be charged for  
5 particular goods or services sold by an agency.
- 6           6. Rule concerning only the physical servicing, maintenance or care of  
7 agency owned or operated facilities or property.
- 8           7. Rule or substantive policy statement concerning inmates or  
9 committed youths of a correctional or detention facility in secure custody or  
10 patients admitted to a hospital, if made by the state department of  
11 corrections, the department of juvenile corrections, the board of executive  
12 clemency or the department of health services or a facility or hospital under  
13 the jurisdiction of the state department of corrections, the department of  
14 juvenile corrections or the department of health services.
- 15           8. Form whose contents or substantive requirements are prescribed by  
16 rule or statute, and instructions for the execution or use of the form.
- 17           9. Capped fee-for-service schedule adopted by the Arizona health care  
18 cost containment system administration pursuant to title 36, chapter 29.
- 19           10. Fees prescribed by section 6-125.
- 20           11. Order of the director of water resources adopting or modifying a  
21 management plan pursuant to title 45, chapter 2, article 9.
- 22           12. Fees established under section 3-1086.
- 23           13. Fee-for-service schedule adopted by the department of economic  
24 security pursuant to section 8-512.
- 25           14. Fees established under sections 41-2144 and 41-2189.
- 26           15. Rule or other matter relating to agency contracts.
- 27           16. Fees established under section 32-2067 or 32-2132.
- 28           17. Rules made pursuant to section 5-111, subsection A.
- 29           18. Rules made by the Arizona state parks board concerning the  
30 operation of the Tonto natural bridge state park, the facilities located in  
31 the Tonto natural bridge state park and the entrance fees to the Tonto  
32 natural bridge state park.
- 33           19. Fees or charges established under section 41-511.05.
- 34           20. Emergency medical services protocols except as provided in section  
35 36-2205, subsection B.
- 36           21. Fee schedules established pursuant to section 36-3409.
- 37           22. Procedures of the state transportation board as prescribed in  
38 section 28-7048.
- 39           23. Rules made by the state department of corrections.
- 40           24. Fees prescribed pursuant to section 32-1527.
- 41           25. Rules made by the department of economic security pursuant to  
42 section 46-805.
- 43           26. Schedule of fees prescribed by section 23-908.
- 44           27. Procedure that is established pursuant to title 23, chapter 6,  
45 article 6.

1           28. Rules, administrative policies, procedures and guidelines adopted  
2 for any purpose by the Arizona commerce authority pursuant to chapter 10 of  
3 this title if the authority provides, as appropriate under the circumstances,  
4 for notice of an opportunity for comment on the proposed rules,  
5 administrative policies, procedures and guidelines.

6           29. Rules made by a marketing commission or marketing committee  
7 pursuant to section 3-414.

8           30. Administration of public assistance program monies authorized for  
9 liabilities that are incurred for disasters declared pursuant to sections  
10 26-303 and 35-192.

11           31. User charges, tolls, fares, rents, advertising and sponsorship  
12 charges, services charges or similar charges established pursuant to section  
13 28-7705.

14           32. Administration and implementation of the hospital assessment  
15 pursuant to section 36-2901.08, except that the Arizona health care cost  
16 containment system administration must provide notice and an opportunity for  
17 public comment at least thirty days before establishing or implementing the  
18 administration of the assessment.

19           B. Notwithstanding subsection A, paragraph 22 of this section, at such  
20 time as the federal highway administration authorizes the privatization of  
21 rest areas, the state transportation board shall make rules governing the  
22 lease or license by the department of transportation to a private entity for  
23 the purposes of privatization of a rest area.

24           C. Coincident with the making of a final rule pursuant to an exemption  
25 from the applicability of this chapter under this section, another statute or  
26 session law, the agency shall file a copy of the rule with the secretary of  
27 state for publication pursuant to section 41-1012 and provide a copy to the  
28 council.

29           D. Unless otherwise required by law, articles 2, 3, 4 and 5 of this  
30 chapter do not apply to the Arizona board of regents and the institutions  
31 under its jurisdiction, except that the Arizona board of regents shall make  
32 policies or rules for the board and the institutions under its jurisdiction  
33 that provide, as appropriate under the circumstances, for notice of and  
34 opportunity for comment on the policies or rules proposed.

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

41           F. Unless otherwise required by law, articles 2, 3, 4 and 5 of this  
42 chapter do not apply to the state board of education, except that the state  
43 board of education shall adopt policies or rules for the board and the  
44 institutions under its jurisdiction that provide, as appropriate under the  
45 circumstances, for notice of and opportunity for comment on the policies or  
46 rules proposed for adoption. In order to implement or change any rule, the

1 state board of education shall provide at least two opportunities for public  
2 comment.

3 Sec. 7. Repeal

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

5 Sec. 8. Repeal

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

8 Sec. 9. Section 41-1758, Arizona Revised Statutes, as amended by Laws  
9 2013, chapter 128, section 12 and chapter 174, section 2, is amended to read:

10 41-1758. Definitions

11 In this article, unless the context otherwise requires:

12 1. "Agency" means the supreme court, the department of economic  
13 security, the department of education, the department of health services, the  
14 department of juvenile corrections, the department of emergency and military  
15 affairs, the department of transportation, the state real estate department,  
16 the board of fingerprinting or the board of examiners of nursing care  
17 institution administrators and assisted living facility managers.

18 2. "Division" means the fingerprinting division in the department of  
19 public safety.

20 3. "Electronic or internet-based fingerprinting services" means a  
21 secure system for digitizing applicant fingerprints and transmitting the  
22 applicant data and fingerprints of a person or entity submitting fingerprints  
23 to the department of public safety for any authorized purpose under this  
24 title. For the purposes of this paragraph, "secure system" means a system  
25 that complies with the information technology security policy approved by the  
26 department of public safety.

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

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

- 31 (a) Section 8-105.
- 32 (b) Section 8-322.
- 33 (c) Section 8-509.
- 34 (d) Section 8-802.
- 35 (e) Section 15-183.
- 36 (f) Section 15-503.
- 37 (g) Section 15-512.
- 38 (h) Section 15-534.
- 39 (i) Section 15-782.02.
- 40 (j) Section 15-1330.
- 41 (k) Section 15-1881.
- 42 (l) Section 17-215.
- 43 (m) Section 26-103.
- 44 (n) SECTION 28-3413.
- 45 ~~(n)~~ (o) Section 32-2108.01.
- 46 ~~(o)~~ (p) Section 32-2123.

- 1       ~~(p)~~ (q) Section 32-2371.
- 2       ~~(q)~~ (r) Section 32-2372.
- 3       ~~(r)~~ (s) Section 36-207.
- 4       ~~(s)~~ (t) Section 36-411.
- 5       ~~(t)~~ (u) Section 36-425.03.
- 6       ~~(u)~~ (v) Section 36-446.04.
- 7       ~~(v)~~ (w) Section 36-594.01.
- 8       ~~(w)~~ (x) Section 36-594.02.
- 9       ~~(x)~~ (y) Section 36-882.
- 10      ~~(y)~~ (z) Section 36-883.02.
- 11      ~~(z)~~ (aa) Section 36-897.01.
- 12      ~~(aa)~~ (bb) Section 36-897.03.
- 13      ~~(bb)~~ (cc) Section 36-3008.
- 14      ~~(cc)~~ (dd) Section 41-619.52.
- 15      ~~(dd)~~ (ee) Section 41-619.53.
- 16      ~~(ee)~~ (ff) Section 41-1964.
- 17      ~~(ff)~~ (gg) Section 41-1967.01.
- 18      ~~(gg)~~ (hh) Section 41-1968.
- 19      ~~(hh)~~ (ii) Section 41-1969.
- 20      ~~(ii)~~ (jj) Section 41-2814.
- 21      ~~(jj)~~ (kk) Section 46-141, subsection A.
- 22      ~~(kk)~~ (ll) Section 46-321.

23       6. "Vulnerable adult" has the same meaning prescribed in section  
24 13-3623.

25       Sec. 10. Repeal

26       Section 41-1758, Arizona Revised Statutes, as amended by Laws 2013,  
27 chapter 129, section 25, is repealed.

28       Sec. 11. Section 41-1758.01, Arizona Revised Statutes, as amended by  
29 Laws 2013, chapter 128, section 13 and chapter 174, section 3, is amended to  
30 read:

31       41-1758.01. Fingerprinting division: powers and duties

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

34       1. Conduct fingerprint background checks for persons and applicants  
35 who are seeking licenses from state agencies, employment with licensees,  
36 contract providers and state agencies or employment or educational  
37 opportunities with agencies that require fingerprint background checks  
38 pursuant to sections 8-105, 8-322, 8-509, 8-802, 15-183, 15-503, 15-512,  
39 15-534, 15-782.02, 15-1330, 15-1881, 17-215, 26-103, 28-3413, 32-2108.01,  
40 32-2123, 32-2371, 32-2372, 36-207, 36-411, 36-425.03, 36-446.04, 36-594.01,  
41 36-594.02, 36-882, 36-883.02, 36-897.01, 36-897.03, 36-3008, 41-619.52,  
42 41-619.53, 41-1964, 41-1967.01, 41-1968, 41-1969 and 41-2814, section 46-141,  
43 subsection A and section 46-321.

44       2. Issue fingerprint clearance cards. On issuance, a fingerprint  
45 clearance card becomes the personal property of the cardholder and the  
46 cardholder shall retain possession of the fingerprint clearance card.

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

5           4. Inform in writing each person who submits fingerprints for a  
6 fingerprint background check of the person's right to petition the board of  
7 fingerprinting for a good cause exception pursuant to sections 41-1758.03 and  
8 41-1758.07.

9           5. Administer and enforce this article.

10          B. The fingerprinting division may contract for electronic or  
11 internet-based fingerprinting services through an entity or entities for the  
12 acquisition and transmission of applicant fingerprint and data submissions to  
13 the department, including identity verified fingerprints pursuant to section  
14 15-106. The entity or entities contracted by the department of public safety  
15 may charge the applicant a fee for services provided pursuant to this  
16 article. The entity or entities contracted by the department of public  
17 safety shall comply with:

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

20           2. The information technology security policy approved by the  
21 department of public safety.

22          Sec. 12. Repeal

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

25          Sec. 13. Section 42-2003, Arizona Revised Statutes, as amended by Laws  
26 2013, first regular session, chapter 40, section 2, chapter 114, section 6  
27 and chapter 222, section 3 and Laws 2013, first special session, chapter 9,  
28 section 3, is amended to read:

29          42-2003. Authorized disclosure of confidential information

30          A. Confidential information relating to:

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

35           2. A corporate taxpayer may be disclosed to any principal officer, any  
36 person designated by a principal officer or any person designated in a  
37 resolution by the corporate board of directors or other similar governing  
38 body.

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

42           4. An estate may be disclosed to the personal representative of the  
43 estate and to any heir, next of kin or beneficiary under the will of the  
44 decedent if the department finds that the heir, next of kin or beneficiary  
45 has a material interest which will be affected by the confidential  
46 information.

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

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

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

10          B. Confidential information may be disclosed to:

11           1. Any employee of the department whose official duties involve tax  
12 administration.

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

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

23           4. Other state tax officials whose official duties require the  
24 disclosure for proper tax administration purposes if the information is  
25 sought in connection with an investigation or any other proceeding conducted  
26 by the official. Any disclosure is limited to information of a taxpayer who  
27 is being investigated or who is a party to a proceeding conducted by the  
28 official.

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

34           (a) The United States internal revenue service, alcohol and tobacco  
35 tax and trade bureau of the United States treasury, United States bureau of  
36 alcohol, tobacco, firearms and explosives of the United States department of  
37 justice, United States drug enforcement agency and federal bureau of  
38 investigation.

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

40           (c) An organization of states, federation of tax administrators or  
41 multistate tax commission that operates an information exchange for tax  
42 administration purposes.

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

1 (e) An agency, official or organization of an Indian tribal government  
2 with responsibilities comparable to the responsibilities of the agencies,  
3 officials or organizations identified in subdivision (a), (b) or (c) of this  
4 paragraph.

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

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

9 (a) The processing, storage, transmission, destruction and  
10 reproduction of the information.

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

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

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

17 (a) Regarding income tax or withholding tax.

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

20 9. The United States treasury inspector general for tax administration  
21 for the purpose of reporting a violation of internal revenue code section  
22 7213A (26 United States Code section 7213A), unauthorized inspection of  
23 returns or return information.

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

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

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

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

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

34 (c) Fulfilling its annual reporting responsibility pursuant to section  
35 41-1511, subsections U and V and section 41-1512, subsections U and V.

36 (d) Certifying computer data centers for tax relief under section  
37 41-1519.

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

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

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

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

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

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

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

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

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

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

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

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

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

27 F. A department employee, in connection with the official duties  
28 relating to any audit, collection activity or civil or criminal  
29 investigation, may disclose return information to the extent that disclosure  
30 is necessary to obtain information that is not otherwise reasonably  
31 available. These official duties include the correct determination of and  
32 liability for tax, the amount to be collected or the enforcement of other  
33 state tax revenue laws.

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

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

1           1. May only be used for internal purposes, INCLUDING AUDITS.

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

9           I. The department may disclose statistical information gathered from  
10 confidential information if it does not disclose confidential information  
11 attributable to any one taxpayer. The department may disclose statistical  
12 information gathered from confidential information, even if it discloses  
13 confidential information attributable to a taxpayer, to:

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

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

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

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

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

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

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

39           O. This section does not prohibit the disclosure by the department of  
40 any information or documents submitted to the department by a bingo licensee.  
41 Before disclosing the information the department shall obtain the name and  
42 address of the person requesting the information.

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

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

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

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

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

23 U. For proceedings before the department, the office of administrative  
24 hearings, the board of tax appeals or any state or federal court involving  
25 penalties that were assessed against a return preparer, an electronic return  
26 preparer or a payroll service company pursuant to section 42-1103.02,  
27 42-1125.01 or 43-419, confidential information may be disclosed only before  
28 the judge or administrative law judge adjudicating the proceeding, the  
29 parties to the proceeding and the parties' representatives in the proceeding  
30 prior to its introduction into evidence in the proceeding. The confidential  
31 information may be introduced as evidence in the proceeding only if the  
32 taxpayer's name, the names of any dependents listed on the return, all social  
33 security numbers, the taxpayer's address, the taxpayer's signature and any  
34 attachments containing any of the foregoing information are redacted and if  
35 either:

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

38 2. Such return or return information relates or may relate to a  
39 transactional relationship between a person who is a party to the proceeding  
40 and the taxpayer which directly affects the resolution of an issue in the  
41 proceeding.

42 3. The method of payment of the taxpayer's withholding tax liability  
43 or the method of filing the taxpayer's withholding tax return is an issue for  
44 the period.

45 V. The department may disclose to the attorney general confidential  
46 information received under section 44-7111 and requested by the attorney

1 general for purposes of determining compliance with and enforcing section  
2 44-7111. The department and attorney general shall share with each other the  
3 information received under section 44-7111, and may share the information  
4 with other federal, state or local agencies only for the purposes of  
5 enforcement of section 13-3711, 36-798.06, 44-7101 or 44-7111 or  
6 corresponding laws of other states.

7 W. The department may provide the name and address of qualifying  
8 hospitals and qualifying health care organizations, as defined in section  
9 42-5001, to a business classified and reporting transaction privilege tax  
10 under the utilities classification.

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

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

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

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

26 Sec. 14. Repeal

27 Section 42-2003, Arizona Revised Statutes, as amended by Laws 2013,  
28 chapter 255, section 2, is repealed.

29 Sec. 15. Section 42-5061, Arizona Revised Statutes, as amended by Laws  
30 2013, first regular session, chapter 120, section 1 and chapter 233, section  
31 1 and Laws 2013, first special session, chapter 9, section 5, is amended to  
32 read:

33 42-5061. Retail classification; definitions

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

39 1. Professional or personal service occupations or businesses that  
40 involve sales or transfers of tangible personal property only as  
41 inconsequential elements.

42 2. Services rendered in addition to selling tangible personal property  
43 at retail.

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

- 1           4. Sales of tangible personal property by any nonprofit organization  
2 organized and operated exclusively for charitable purposes and recognized by  
3 the United States internal revenue service under section 501(c)(3) of the  
4 internal revenue code.
- 5           5. Sales to persons engaged in business classified under the  
6 restaurant classification of articles used by human beings for food, drink or  
7 condiment, whether simple, mixed or compounded.
- 8           6. Business activity that is properly included in any other business  
9 classification that is taxable under this article.
- 10          7. The sale of stocks and bonds.
- 11          8. Drugs and medical oxygen, including delivery hose, mask or tent,  
12 regulator and tank, on the prescription of a member of the medical, dental or  
13 veterinarian profession who is licensed by law to administer such substances.
- 14          9. Prosthetic appliances as defined in section 23-501 prescribed or  
15 recommended by a health professional who is licensed pursuant to title 32,  
16 chapter 7, 8, 11, 13, 14, 15, 16, 17 or 29.
- 17          10. Insulin, insulin syringes and glucose test strips.
- 18          11. Prescription eyeglasses or contact lenses.
- 19          12. Hearing aids as defined in section 36-1901.
- 20          13. Durable medical equipment ~~which~~ **THAT** has a centers for medicare and  
21 medicaid services common procedure code, is designated reimbursable by  
22 medicare, is prescribed by a person who is licensed under title 32, chapter  
23 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is primarily and  
24 customarily used to serve a medical purpose, is generally not useful to a  
25 person in the absence of illness or injury and is appropriate for use in the  
26 home.
- 27          14. Sales **OF MOTOR VEHICLES** to nonresidents of this state for use  
28 outside this state if the ~~vendor~~ **MOTOR VEHICLE DEALER** ships or delivers the  
29 ~~tangible personal property~~ **MOTOR VEHICLE TO A DESTINATION** out of this state.
- 30          15. Food, as provided in and subject to the conditions of article 3 of  
31 this chapter and section 42-5074.
- 32          16. Items purchased with United States department of agriculture food  
33 stamp coupons issued under the food stamp act of 1977 (P.L. 95-113; 91 Stat.  
34 958) or food instruments issued under section 17 of the child nutrition act  
35 (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42 United States Code  
36 section 1786).
- 37          17. Textbooks by any bookstore that are required by any state  
38 university or community college.
- 39          18. Food and drink to a person ~~who~~ **THAT** is engaged in **A** business that  
40 is classified under the restaurant classification and that provides such food  
41 and drink without monetary charge to its employees for their own consumption  
42 on the premises during the employees' hours of employment.
- 43          19. Articles of food, drink or condiment and accessory tangible  
44 personal property to a school district or charter school if such articles and  
45 accessory tangible personal property are to be prepared and served to persons

1 for consumption on the premises of a public school within the district or on  
2 the premises of the charter school during school hours.

3 20. Lottery tickets or shares pursuant to title 5, chapter 5.1,  
4 article 1.

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

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

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

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

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

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

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

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

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

46 25. Tangible personal property sold to:

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

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

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

10 (d) A qualifying community health center as defined in section  
11 42-5001.

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

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

23 26. Magazines or other periodicals or other publications by this state  
24 to encourage tourist travel.

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

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

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

35 28. The sale of a motor vehicle to:

36 (a) A nonresident of this state if the purchaser's state of residence  
37 does not allow a corresponding use tax exemption to the tax imposed by  
38 article 1 of this chapter and if the nonresident has secured a special ninety  
39 day nonresident registration permit for the vehicle as prescribed by sections  
40 28-2154 and 28-2154.01.

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

43 29. Tangible personal property purchased in this state by a nonprofit  
44 charitable organization that has qualified under section 501(c)(3) of the  
45 United States internal revenue code and that engages in and uses such  
46 property exclusively in programs for mentally or physically handicapped

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

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

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

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

20 33. Sales of seeds, seedlings, roots, bulbs, cuttings and other  
21 propagative material to persons who use those items to commercially produce  
22 agricultural, horticultural, viticultural or floricultural crops in this  
23 state.

24 34. Machinery, equipment, technology or related supplies that are only  
25 useful to assist a person who is physically disabled as defined in section  
26 46-191, has a developmental disability as defined in section 36-551 or has a  
27 head injury as defined in section 41-3201 to be more independent and  
28 functional.

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

32 ~~36.~~ 35. Sales of natural gas or liquefied petroleum gas used to propel  
33 a motor vehicle.

34 ~~37.~~ 36. Paper machine clothing, such as forming fabrics and dryer  
35 felts, sold to a paper manufacturer and directly used or consumed in paper  
36 manufacturing.

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

1 paper, the time period shall begin with the date the first manufacturing,  
2 processing or production equipment is placed in service.

3 ~~39.~~ 38. Sales of liquid, solid or gaseous chemicals used in  
4 manufacturing, processing, fabricating, mining, refining, metallurgical  
5 operations, research and development and, beginning on January 1, 1999,  
6 printing, if using or consuming the chemicals, alone or as part of an  
7 integrated system of chemicals, involves direct contact with the materials  
8 from which the product is produced for the purpose of causing or permitting a  
9 chemical or physical change to occur in the materials as part of the  
10 production process. This paragraph does not include chemicals that are used  
11 or consumed in activities such as packaging, storage or transportation but  
12 does not affect any deduction for such chemicals that is otherwise provided  
13 by this section. For the purposes of this paragraph, "printing" means a  
14 commercial printing operation and includes job printing, engraving,  
15 embossing, copying and bookbinding.

16 ~~40.~~ 39. Through December 31, 1994, personal property liquidation  
17 transactions, conducted by a personal property liquidator. From and after  
18 December 31, 1994, personal property liquidation transactions shall be  
19 taxable under this section provided that nothing in this subsection shall be  
20 construed to authorize the taxation of casual activities or transactions  
21 under this chapter. For the purposes of this paragraph:

22 (a) "Personal property liquidation transaction" means a sale of  
23 personal property made by a personal property liquidator acting solely on  
24 behalf of the owner of the personal property sold at the dwelling of the  
25 owner or on the death of any owner, on behalf of the surviving spouse, if  
26 any, any devisee or heir or the personal representative of the estate of the  
27 deceased, if one has been appointed.

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

30 ~~41.~~ 40. Sales of food, drink and condiment for consumption within the  
31 premises of any prison, jail or other institution under the jurisdiction of  
32 the state department of corrections, the department of public safety, the  
33 department of juvenile corrections or a county sheriff.

34 ~~42.~~ 41. A motor vehicle and any repair and replacement parts and  
35 tangible personal property becoming a part of such motor vehicle sold to a  
36 motor carrier who is subject to a fee prescribed in title 28, chapter 16,  
37 article 4 and who is engaged in the business of leasing or renting such  
38 property.

39 ~~43.~~ 42. Livestock and poultry feed, salts, vitamins and other  
40 additives for livestock or poultry consumption that are sold to persons who  
41 are engaged in producing livestock, poultry, or livestock or poultry products  
42 or who are engaged in feeding livestock or poultry commercially. For the  
43 purposes of this paragraph, "poultry" includes ratites.

44 ~~44.~~ 43. Sales of implants used as growth promotants and injectable  
45 medicines, not already exempt under paragraph 8 of this subsection, for  
46 livestock or poultry owned by or in possession of persons who are engaged in

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

4 ~~45-~~ 44. Sales of motor vehicles at auction to nonresidents of this  
5 state for use outside this state if the vehicles are shipped or delivered out  
6 of this state, regardless of where title to the motor vehicles passes or its  
7 free on board point.

8 ~~46-~~ 45. Tangible personal property sold to a person engaged in  
9 business and subject to tax under the transient lodging classification if the  
10 tangible personal property is a personal hygiene item or articles used by  
11 human beings for food, drink or condiment, except alcoholic beverages, that  
12 are furnished without additional charge to and intended to be consumed by the  
13 transient during the transient's occupancy.

14 ~~47-~~ 46. Sales of alternative fuel, as defined in section 1-215, to a  
15 used oil fuel burner who has received a permit to burn used oil or used oil  
16 fuel under section 49-426 or 49-480.

17 ~~48-~~ 47. Sales of materials that are purchased by or for publicly  
18 funded libraries including school district libraries, charter school  
19 libraries, community college libraries, state university libraries or  
20 federal, state, county or municipal libraries for use by the public as  
21 follows:

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

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

24 ~~49-~~ 48. Tangible personal property sold to a commercial airline and  
25 consisting of food, beverages and condiments and accessories used for serving  
26 the food and beverages, if those items are to be provided without additional  
27 charge to passengers for consumption in flight. For the purposes of this  
28 paragraph, "commercial airline" means a person holding a federal certificate  
29 of public convenience and necessity or foreign air carrier permit for air  
30 transportation to transport persons, property or United States mail in  
31 intrastate, interstate or foreign commerce.

32 ~~50-~~ 49. Sales of alternative fuel vehicles if the vehicle was  
33 manufactured as a diesel fuel vehicle and converted to operate on alternative  
34 fuel and equipment that is installed in a conventional diesel fuel motor  
35 vehicle to convert the vehicle to operate on an alternative fuel, as defined  
36 in section 1-215.

37 ~~51-~~ 50. Sales of any spirituous, vinous or malt liquor by a person  
38 that is licensed in this state as a wholesaler by the department of liquor  
39 licenses and control pursuant to title 4, chapter 2, article 1.

40 ~~52-~~ 51. Sales of tangible personal property to be incorporated or  
41 installed as part of environmental response or remediation activities under  
42 section 42-5075, subsection B, paragraph 6.

43 ~~53-~~ 52. Sales of tangible personal property by a nonprofit  
44 organization that is exempt from taxation under section 501(c)(6) of the  
45 internal revenue code if the organization produces, organizes or promotes  
46 cultural or civic related festivals or events and no part of the

1 organization's net earnings inures to the benefit of any private shareholder  
2 or individual.

3 ~~54.~~ 53. Through August 31, 2014, sales of Arizona centennial  
4 medallions by the historical advisory commission.

5 ~~55.~~ 54. Application services that are designed to assess or test  
6 student learning or to promote curriculum design or enhancement purchased by  
7 or for any school district, charter school, community college or state  
8 university. For the purposes of this paragraph:

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

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

14 ~~56.~~ 55. Sales of motor vehicle fuel and use fuel to a qualified  
15 business under section 41-1516 for off-road use in harvesting, processing or  
16 transporting qualifying forest products removed from qualifying projects as  
17 defined in section 41-1516.

18 ~~57.~~ 56. Sales of repair parts installed in equipment used directly by  
19 a qualified business under section 41-1516 in harvesting, processing or  
20 transporting qualifying forest products removed from qualifying projects as  
21 defined in section 41-1516.

22 ~~58.~~ 57. Sales or other transfers of renewable energy credits or any  
23 other unit created to track energy derived from renewable energy resources.  
24 For the purposes of this paragraph, "renewable energy credit" means a unit  
25 created administratively by the corporation commission or governing body of a  
26 public power utility to track kilowatt hours of electricity derived from a  
27 renewable energy resource or the kilowatt hour equivalent of conventional  
28 energy resources displaced by distributed renewable energy resources.

29 ~~59.~~ 58. Computer data center equipment purchased by the owner,  
30 operator or qualified colocation tenant of the computer data center or an  
31 authorized agent of the owner, operator or qualified colocation tenant during  
32 the qualification period for use in a computer data center that is certified  
33 by the Arizona commerce authority under section 41-1519. To qualify for this  
34 deduction, at the time of purchase, the owner, operator or qualified  
35 colocation tenant must present to the retailer its certificate that is issued  
36 pursuant to section 41-1519 and that establishes its qualification for the  
37 deduction. For the purposes of this paragraph, "computer data center",  
38 "computer data center equipment", "qualification period" and "qualified  
39 colocation tenant" have the same meanings prescribed in section 41-1519.

40 ~~60.~~ 59. Orthodontic devices dispensed by a dental professional who is  
41 licensed under title 32, chapter 11 to a patient as part of the practice of  
42 dentistry.

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

1           1. Machinery, or equipment, used directly in manufacturing,  
2 processing, fabricating, job printing, refining or metallurgical operations.  
3 The terms "manufacturing", "processing", "fabricating", "job printing",  
4 "refining" and "metallurgical" as used in this paragraph refer to and include  
5 those operations commonly understood within their ordinary meaning.  
6 "Metallurgical operations" includes leaching, milling, precipitating,  
7 smelting and refining.

8           2. Mining machinery, or equipment, used directly in the process of  
9 extracting ores or minerals from the earth for commercial purposes, including  
10 equipment required to prepare the materials for extraction and handling,  
11 loading or transporting such extracted material to the surface. "Mining"  
12 includes underground, surface and open pit operations for extracting ores and  
13 minerals.

14           3. Tangible personal property sold to persons engaged in business  
15 classified under the telecommunications classification and consisting of  
16 central office switching equipment, switchboards, private branch exchange  
17 equipment, microwave radio equipment and carrier equipment including optical  
18 fiber, coaxial cable and other transmission media ~~which~~ THAT are components  
19 of carrier systems.

20           4. Machinery, equipment or transmission lines used directly in  
21 producing or transmitting electrical power, but not including distribution.  
22 Transformers and control equipment used at transmission substation sites  
23 constitute equipment used in producing or transmitting electrical power.

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

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

31           7. Aircraft, navigational and communication instruments and other  
32 accessories and related equipment sold to:

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

39           (b) Any foreign government.

40           (c) Persons who are not residents of this state and who will not use  
41 such property in this state other than in removing such property from this  
42 state. This subdivision also applies to corporations that are not  
43 incorporated in this state, regardless of maintaining a place of business in  
44 this state, if the principal corporate office is located outside this state  
45 and the property will not be used in this state other than in removing the  
46 property from this state.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

39 18. Machinery or equipment, including related structural components,  
40 that is employed in connection with manufacturing, processing, fabricating,  
41 job printing, refining, mining, natural gas pipelines, metallurgical  
42 operations, telecommunications, producing or transmitting electricity or  
43 research and development and that is used directly to meet or exceed rules or  
44 regulations adopted by the federal energy regulatory commission, the United  
45 States environmental protection agency, the United States nuclear regulatory  
46 commission, the Arizona department of environmental quality or a political

1 subdivision of this state to prevent, monitor, control or reduce land, water  
2 or air pollution.

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

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

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

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

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

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

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

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

34 2. Janitorial equipment and hand tools.

35 3. Office equipment, furniture and supplies.

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

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

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

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

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

3           D. In addition to the deductions from the tax base prescribed by  
4 subsection A of this section, there shall be deducted from the tax base the  
5 gross proceeds of sales or gross income derived from sales of machinery,  
6 equipment, materials and other tangible personal property used directly and  
7 predominantly to construct a qualified environmental technology  
8 manufacturing, producing or processing facility as described in section  
9 41-1514.02. This subsection applies for ten full consecutive calendar or  
10 fiscal years after the start of initial construction.

11          E. In computing the tax base, gross proceeds of sales or gross income  
12 from retail sales of heavy trucks and trailers does not include any amount  
13 attributable to federal excise taxes imposed by 26 United States Code section  
14 4051.

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

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

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

31          I. A person who engages in manufacturing, baling, crating, boxing,  
32 barreling, canning, bottling, sacking, preserving, processing or otherwise  
33 preparing for sale or commercial use any livestock, agricultural or  
34 horticultural product or any other product, article, substance or commodity  
35 and who sells the product of such business at retail in this state is deemed,  
36 as to such sales, to be engaged in business classified under the retail  
37 classification. This subsection does not apply to businesses classified  
38 under the:

- 39           1. Transporting classification.
- 40           2. Utilities classification.
- 41           3. Telecommunications classification.
- 42           4. Pipeline classification.
- 43           5. Private car line classification.
- 44           6. Publication classification.
- 45           7. Job printing classification.
- 46           8. Prime contracting classification.

1           ~~9. Owner builder sales classification.~~  
2           ~~10.~~ 9. Restaurant classification.  
3           J. The gross proceeds of sales or gross income derived from the  
4 following shall be deducted from the tax base for the retail classification:  
5           1. Sales made directly to the United States government or its  
6 departments or agencies by a manufacturer, modifier, assembler or repairer.  
7           2. Sales made directly to a manufacturer, modifier, assembler or  
8 repairer if such sales are of any ingredient or component part of products  
9 sold directly to the United States government or its departments or agencies  
10 by the manufacturer, modifier, assembler or repairer.  
11           3. Overhead materials or other tangible personal property that is used  
12 in performing a contract between the United States government and a  
13 manufacturer, modifier, assembler or repairer, including property used in  
14 performing a subcontract with a government contractor who is a manufacturer,  
15 modifier, assembler or repairer, to which title passes to the government  
16 under the terms of the contract or subcontract.  
17           4. Sales of overhead materials or other tangible personal property to  
18 a manufacturer, modifier, assembler or repairer if the gross proceeds of  
19 sales or gross income derived from the property by the manufacturer,  
20 modifier, assembler or repairer will be exempt under paragraph 3 of this  
21 subsection.  
22           K. There shall be deducted from the tax base fifty per cent of the  
23 gross proceeds or gross income from any sale of tangible personal property  
24 made directly to the United States government or its departments or  
25 agencies, ~~which~~ THAT is not deducted under subsection J of this section.  
26           L. The department shall require every person claiming a deduction  
27 provided by subsection J or K of this section to file on forms prescribed by  
28 the department at such times as the department directs a sworn statement  
29 disclosing the name of the purchaser and the exact amount of sales on which  
30 the exclusion or deduction is claimed.  
31           M. In computing the tax base, gross proceeds of sales or gross income  
32 does not include:  
33           1. A manufacturer's cash rebate on the sales price of a motor vehicle  
34 if the buyer assigns the buyer's right in the rebate to the retailer.  
35           2. The waste tire disposal fee imposed pursuant to section 44-1302.  
36           N. There shall be deducted from the tax base the amount received from  
37 sales of solar energy devices. The retailer shall register with the  
38 department as a solar energy retailer. By registering, the retailer  
39 acknowledges that it will make its books and records relating to sales of  
40 solar energy devices available to the department for examination.  
41           O. In computing the tax base in the case of the sale or transfer of  
42 wireless telecommunications equipment as an inducement to a customer to enter  
43 into or continue a contract for telecommunications services that are taxable  
44 under section 42-5064, gross proceeds of sales or gross income does not  
45 include any sales commissions or other compensation received by the retailer

1 as a result of the customer entering into or continuing a contract for the  
2 telecommunications services.

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

8 Q. Retail sales of prepaid calling cards or prepaid authorization  
9 numbers for telecommunications services, including sales of reauthorization  
10 of a prepaid card or authorization number, are subject to tax under this  
11 section.

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

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

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

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

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

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

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

43 U. In computing the tax base for the sale of a motor vehicle to a  
44 nonresident of this state, if the purchaser's state of residence allows a  
45 corresponding use tax exemption to the tax imposed by article 1 of this  
46 chapter and the rate of the tax in the purchaser's state of residence is

1 lower than the rate prescribed in article 1 of this chapter or if the  
2 purchaser's state of residence does not impose an excise tax, and the  
3 nonresident has secured a special ninety day nonresident registration permit  
4 for the vehicle as prescribed by sections 28-2154 and 28-2154.01, there shall  
5 be deducted from the tax base a portion of the gross proceeds or gross income  
6 from the sale so that the amount of transaction privilege tax that is paid in  
7 this state is equal to the excise tax that is imposed by the purchaser's  
8 state of residence on the nonexempt sale or use of the motor vehicle.

9 V. For the purposes 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 3. "Selling at retail" means a sale for any purpose other than for  
21 resale in the regular course of business in the form of tangible personal  
22 property, but transfer of possession, lease and rental as used in the  
23 definition of sale mean only such transactions as are found on investigation  
24 to be in lieu of sales as defined without the words lease or rental.

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

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

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

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

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

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

44 6. "Subcontract" means an agreement between a contractor and any  
45 person who is not an employee of the contractor for furnishing of supplies or  
46 services that, in whole or in part, are necessary to the performance of one

1 or more government contracts, or under which any portion of the contractor's  
2 obligation under one or more government contracts is performed, undertaken or  
3 assumed and that includes provisions causing title to overhead materials or  
4 other tangible personal property used in the performance of the subcontract  
5 to pass to the government or that includes provisions incorporating such  
6 title passing clauses in a government contract into the subcontract. FOR THE  
7 PURPOSES OF THIS PARAGRAPH, "CONTRACTOR" HAS ITS ORDINARY AND COMMON MEANING  
8 AND DOES NOT HAVE THE MEANING PRESCRIBED BY SECTION 42-5001.

9 Sec. 16. Repeal

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

12 Sec. 17. Section 42-5071, Arizona Revised Statutes, as amended by Laws  
13 2013, chapter 114, section 7 and chapter 236, section 2, is amended to read:

14 42-5071. Personal property rental classification

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

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

21 2. Activities engaged in by the Arizona exposition and state fair  
22 board or county fair commissions in connection with events sponsored by such  
23 entities.

24 3. Leasing or renting tangible personal property by a parent  
25 corporation to a subsidiary corporation or by a subsidiary corporation to  
26 another subsidiary of the same parent corporation if taxes were paid under  
27 this chapter on the gross proceeds or gross income accruing from the initial  
28 sale of the tangible personal property. For the purposes of this paragraph,  
29 "subsidiary" means a corporation of which at least eighty per cent of the  
30 voting shares are owned by the parent corporation.

31 4. Operating coin-operated washing, drying and dry cleaning machines  
32 or coin-operated car washing machines at establishments for the use of such  
33 machines.

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

39 6. Leasing or renting aircraft, flight simulators or similar training  
40 equipment to students or staff by nonprofit, accredited educational  
41 institutions that offer associate or baccalaureate degrees in aviation or  
42 aerospace related fields.

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

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

5           B. The tax base for the personal property rental classification is the  
6 gross proceeds of sales or gross income derived from the business, but the  
7 gross proceeds of sales or gross income derived from the following shall be  
8 deducted from the tax base:

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

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

18           (a) Section 42-5061, subsection A, paragraph 8, 9, 12, 13, 25, 29, ~~50~~  
19 ~~49~~ or ~~55~~ 54.

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

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

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

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

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

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

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

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

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

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

43           E. Until December 31, 1988, leasing or renting animals for  
44 recreational purposes is exempt from the tax imposed by this section.  
45 Beginning January 1, 1989, the gross proceeds or gross income from leasing or  
46 renting animals for recreational purposes is subject to taxation under this

1 section. Tax liabilities, penalties and interest paid for taxable periods  
2 before January 1, 1989 shall not be refunded unless the taxpayer requesting  
3 the refund provides proof satisfactory to the department that the monies paid  
4 as taxes will be returned to the customer.

5 Sec. 18. Repeal

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

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

10 42-5159. Exemptions

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

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

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

23 3. Tangible personal property, the storage, use or consumption of  
24 which the constitution or laws of the United States prohibit this state from  
25 taxing or to the extent that the rate or imposition of tax is  
26 unconstitutional under the laws of the United States.

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

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

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

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

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

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

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

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

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

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

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

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

25 13. Tangible personal property purchased by:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

39 15. Tangible personal property sold by:

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

43 (b) A nonprofit organization that is exempt from taxation under  
44 section 501(c)(3) or 501(c)(6) of the internal revenue code if the  
45 organization is associated with a major league baseball team or a national

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

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

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

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

15 18. Prescription eyeglasses and contact lenses.

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

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

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

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

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

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

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

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

42 27. Lottery tickets or shares purchased pursuant to title 5, chapter  
43 5.1, article 1.

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

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

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

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

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

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

21           (b) Public educational institutions.

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

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

27           34. Machinery, equipment, technology or related supplies that are only  
28 useful to assist a person who is physically disabled as defined in section  
29 46-191, has a developmental disability as defined in section 36-551 or has a  
30 head injury as defined in section 41-3201 to be more independent and  
31 functional.

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

45           36. Food, drink and condiment purchased for consumption within the  
46 premises of any prison, jail or other institution under the jurisdiction of

1 the state department of corrections, the department of public safety, the  
2 department of juvenile corrections or a county sheriff.

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

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

10 39. Overhead materials or other tangible personal property that is used  
11 in performing a contract between the United States government and a  
12 manufacturer, modifier, assembler or repairer, including property used in  
13 performing a subcontract with a government contractor who is a manufacturer,  
14 modifier, assembler or repairer, to which title passes to the government  
15 under the terms of the contract or subcontract. For the purposes of this  
16 paragraph:

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

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

33 40. Through December 31, 1994, tangible personal property sold pursuant  
34 to a personal property liquidation transaction, as defined in section  
35 42-5061. From and after December 31, 1994, tangible personal property sold  
36 pursuant to a personal property liquidation transaction, as defined in  
37 section 42-5061, if the gross proceeds of the sales were included in the  
38 measure of the tax imposed by article 1 of this chapter or if the personal  
39 property liquidation was a casual activity or transaction.

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

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

1           43. Tangible personal property purchased by a commercial airline and  
2 consisting of food, beverages and condiments and accessories used for serving  
3 the food and beverages, if those items are to be provided without additional  
4 charge to passengers for consumption in flight. For the purposes of this  
5 paragraph, "commercial airline" means a person holding a federal certificate  
6 of public convenience and necessity or foreign air carrier permit for air  
7 transportation to transport persons, property or United States mail in  
8 intrastate, interstate or foreign commerce.

9           44. Alternative fuel vehicles if the vehicle was manufactured as a  
10 diesel fuel vehicle and converted to operate on alternative fuel and  
11 equipment that is installed in a conventional diesel fuel motor vehicle to  
12 convert the vehicle to operate on an alternative fuel, as defined in section  
13 1-215.

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

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

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

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

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

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

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

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

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

43           (b) "Curriculum design or enhancement" means planning, implementing or  
44 reporting on courses of study, lessons, assignments or other learning  
45 activities.

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

5           52. Repair parts installed in equipment used directly by a qualified  
6 business under section 41-1516 in harvesting, processing or transporting  
7 qualifying forest products removed from qualifying projects as defined in  
8 section 41-1516.

9           53. Renewable energy credits or any other unit created to track energy  
10 derived from renewable energy resources. For the purposes of this paragraph,  
11 "renewable energy credit" means a unit created administratively by the  
12 corporation commission or governing body of a public power entity to track  
13 kilowatt hours of electricity derived from a renewable energy resource or the  
14 kilowatt hour equivalent of conventional energy resources displaced by  
15 distributed renewable energy resources.

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

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

30           1. Machinery, or equipment, used directly in manufacturing,  
31 processing, fabricating, job printing, refining or metallurgical operations.  
32 The terms "manufacturing", "processing", "fabricating", "job printing",  
33 "refining" and "metallurgical" as used in this paragraph refer to and include  
34 those operations commonly understood within their ordinary meaning.  
35 "Metallurgical operations" includes leaching, milling, precipitating,  
36 smelting and refining.

37           2. Machinery, or equipment, used directly in the process of extracting  
38 ores or minerals from the earth for commercial purposes, including equipment  
39 required to prepare the materials for extraction and handling, loading or  
40 transporting such extracted material to the surface. "Mining" includes  
41 underground, surface and open pit operations for extracting ores and  
42 minerals.

43           3. Tangible personal property sold to persons engaged in business  
44 classified under the telecommunications classification under section 42-5064  
45 and consisting of central office switching equipment, switchboards, private  
46 branch exchange equipment, microwave radio equipment and carrier equipment

1 including optical fiber, coaxial cable and other transmission media ~~which~~  
2 THAT are components of carrier systems.

3 4. Machinery, equipment or transmission lines used directly in  
4 producing or transmitting electrical power, but not including distribution.  
5 Transformers and control equipment used at transmission substation sites  
6 constitute equipment used in producing or transmitting electrical power.

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

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

14 7. Aircraft, navigational and communication instruments and other  
15 accessories and related equipment sold to:

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

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

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

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

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

34 11. Buses or other urban mass transit vehicles ~~which~~ THAT are used  
35 directly to transport persons or property for hire or pursuant to a  
36 governmentally adopted and controlled urban mass transportation program and  
37 ~~which~~ THAT are sold to bus companies holding a federal certificate of  
38 convenience and necessity or operated by any city, town or other governmental  
39 entity or by any person contracting with such governmental entity as part of  
40 a governmentally adopted and controlled program to provide urban mass  
41 transportation.

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

43 13. New machinery and equipment consisting of tractors, tractor-drawn  
44 implements, self-powered implements, machinery and equipment necessary for  
45 extracting milk, and machinery and equipment necessary for cooling milk and  
46 livestock, and drip irrigation lines not already exempt under paragraph 6 of

1 this subsection and that are used for commercial production of agricultural,  
2 horticultural, viticultural and floricultural crops and products in this  
3 state. For the purposes of this paragraph:

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

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

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

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

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

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

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

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

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

42 16. Clean rooms that are used for manufacturing, processing,  
43 fabrication or research and development, as defined in paragraph 14 of this  
44 subsection, of semiconductor products. For the purposes of this paragraph,  
45 "clean room" means all property that comprises or creates an environment  
46 where humidity, temperature, particulate matter and contamination are

1 precisely controlled within specified parameters, without regard to whether  
2 the property is actually contained within that environment or whether any of  
3 the property is affixed to or incorporated into real property. Clean room:

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

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

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

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

26 19. Machinery and equipment that are used in the commercial production  
27 of livestock, livestock products or agricultural, horticultural, viticultural  
28 or floricultural crops or products in this state and that are used directly  
29 and primarily to prevent, monitor, control or reduce air, water or land  
30 pollution.

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

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

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

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

45 21. Qualifying equipment that is purchased from and after June 30, 2004  
46 through June 30, 2024 by a qualified business under section 41-1516 for

1 harvesting or processing qualifying forest products removed from qualifying  
2 projects as defined in section 41-1516. To qualify for this exemption, the  
3 qualified business must obtain and present its certification from the Arizona  
4 commerce authority at the time of purchase.

5 C. The exemptions provided by subsection B of this section do not  
6 include:

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

11 2. Janitorial equipment and hand tools.

12 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

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

32 2. Revenues received from providing electricity, including ancillary  
33 services, electric distribution services, electric generation services,  
34 electric transmission services and other services related to providing  
35 electricity with respect to which the transaction privilege tax imposed under  
36 section 42-5063 has been paid.

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

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

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

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

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

7           1. "Aircraft" includes:

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

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

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

17           H. For the purposes of subsection D of this section, "ancillary  
18 services", "electric distribution service", "electric generation service",  
19 "electric transmission service" and "other services" have the same meanings  
20 prescribed in section 42-5063.

21           Sec. 20. Repeal

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

24           Sec. 21. Retroactive application

25           A. Section 6 of this act applies retroactively to September 12, 2013.

26           B. Sections 7 and 8 of this act apply retroactively to September 13,  
27 2013.

28           C. Sections 4, 5, 9, 10, 11 and 12 of this act apply retroactively to  
29 from and after June 30, 2014.

30           Sec. 22. Effective date

31           Sections 2, 3, 13, 14, 15, 16, 17, 18, 19 and 20 of this act are  
32 effective from and after December 31, 2014.

APPROVED BY THE GOVERNOR APRIL 23, 2014.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 24, 2014.