

HOUSE FLOOR AMENDMENT EXPLANATION



Bill Number: **SB 1133**

Ugenti Floor Amendment

SB 1133 outlines the process for a customer to file a claim for a transaction privilege tax (TPT) refund.

Your 24 page amendment dated 03/25/15 at 12:12 P.M. makes the following changes:

- Exempts the sale of fine art from the retail classification of TPT if sold to an out of state resident and delivered or shipped out of state
- Applies retroactively to Tax Year 2015.

Amendment explanation prepared by Ryan Sullivan

Phone Number 60602-926-5654

rls

3/25/2015

UGENTI FLOOR AMENDMENT
HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1133
(Reference to Senate engrossed bill)

1 Page 19, between lines 4 and 5, insert:

2 "Sec. 12. Section 42-5061, Arizona Revised Statutes, as amended by
3 Laws 2015, chapter 4, section 10, is amended to read:

4 42-5061. Retail classification; definitions

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

10 1. Professional or personal service occupations or businesses that
11 involve sales or transfers of tangible personal property only as
12 inconsequential elements.

13 2. Services rendered in addition to selling tangible personal property
14 at retail.

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

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

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

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

1 7. The sale of stocks and bonds.

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

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

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

9 11. Prescription eyeglasses or contact lenses.

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

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

18 14. Sales of motor vehicles to nonresidents of this state for use
19 outside this state if the motor vehicle dealer ships or delivers the motor
20 vehicle to a destination out of this state.

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

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

28 17. Textbooks by any bookstore that are required by any state
29 university or community college.

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

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

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

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

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

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

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

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

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

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

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

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

17 25. Tangible personal property sold to:

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

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

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

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

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

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

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

7 (g) A qualifying health sciences educational institution as defined in
8 section 42-5001.

9 (h) Any person representing or working on behalf of another person
10 described in subdivisions (a) through (g) of this paragraph if the tangible
11 personal property is incorporated or fabricated into a project described in
12 section 42-5075, subsection 0.

13 26. Magazines or other periodicals or other publications by this state
14 to encourage tourist travel.

15 27. Tangible personal property sold to:

16 (a) A person that is subject to tax under this article by reason of
17 being engaged in business classified under section 42-5075 or to a
18 subcontractor working under the control of a person engaged in business
19 classified under section 42-5075, if the property so sold is any of the
20 following:

21 (i) Incorporated or fabricated by the person into any real property,
22 structure, project, development or improvement as part of the business.

23 (ii) Incorporated or fabricated by the person into any project
24 described in section 42-5075, subsection 0.

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

27 (b) A person that is not subject to tax under section 42-5075 and that
28 has been provided a copy of a certificate under section 42-5009, subsection
29 L, if the property so sold is incorporated or fabricated by the person into
30 the real property, structure, project, development or improvement described
31 in the certificate.

32 28. The sale of a motor vehicle to:

1 (a) A nonresident of this state if the purchaser's state of residence
2 does not allow a corresponding use tax exemption to the tax imposed by
3 article 1 of this chapter and if the nonresident has secured a special ninety
4 day nonresident registration permit for the vehicle as prescribed by sections
5 28-2154 and 28-2154.01.

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

8 29. Tangible personal property purchased in this state by a nonprofit
9 charitable organization that has qualified under section 501(c)(3) of the
10 United States internal revenue code and that engages in and uses such
11 property exclusively in programs for persons with mental or physical
12 disabilities if the programs are exclusively for training, job placement,
13 rehabilitation or testing.

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

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

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

31 33. Sales of seeds, seedlings, roots, bulbs, cuttings and other
32 propagative material to persons who use those items to commercially produce

1 agricultural, horticultural, viticultural or floricultural crops in this
2 state.

3 34. Machinery, equipment, technology or related supplies that are only
4 useful to assist a person with a physical disability as defined in section
5 46-191 or a person who has a developmental disability as defined in section
6 36-551 or has a head injury as defined in section 41-3201 to be more
7 independent and functional.

8 35. Sales of natural gas or liquefied petroleum gas used to propel a
9 motor vehicle.

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

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

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

1 the purposes of this paragraph, "printing" means a commercial printing
2 operation and includes job printing, engraving, embossing, copying and
3 bookbinding.

4 39. Through December 31, 1994, personal property liquidation
5 transactions, conducted by a personal property liquidator. From and after
6 December 31, 1994, personal property liquidation transactions shall be
7 taxable under this section provided that nothing in this subsection shall be
8 construed to authorize the taxation of casual activities or transactions
9 under this chapter. For the purposes of this paragraph:

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

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

18 40. Sales of food, drink and condiment for consumption within the
19 premises of any prison, jail or other institution under the jurisdiction of
20 the state department of corrections, the department of public safety, the
21 department of juvenile corrections or a county sheriff.

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

26 42. Livestock and poultry feed, salts, vitamins and other additives
27 for livestock or poultry consumption that are sold to persons who are engaged
28 in producing livestock, poultry, or livestock or poultry products or who are
29 engaged in feeding livestock or poultry commercially. For the purposes of
30 this paragraph, "poultry" includes ratites.

31 43. Sales of implants used as growth promotants and injectable
32 medicines, not already exempt under paragraph 8 of this subsection, for
33 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 44. Sales of motor vehicles at auction to nonresidents of this state
5 for use outside this state if the vehicles are shipped or delivered out of
6 this state, regardless of where title to the motor vehicles passes or its
7 free on board point.

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

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

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

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

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

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

31 49. Sales of alternative fuel vehicles if the vehicle was manufactured
32 as a diesel fuel vehicle and converted to operate on alternative fuel and
33 equipment that is installed in a conventional diesel fuel motor vehicle to

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

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

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

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

14 53. Through August 31, 2014, sales of Arizona centennial medallions by
15 the historical advisory commission.

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

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

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

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

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

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

8 58. Computer data center equipment purchased by the owner, operator or
9 qualified colocation tenant of the computer data center or an authorized
10 agent of the owner, operator or qualified colocation tenant during the
11 qualification period for use in a computer data center that is certified by
12 the Arizona commerce authority under section 41-1519. To qualify for this
13 deduction, at the time of purchase, the owner, operator or qualified
14 colocation tenant must present to the retailer its certificate that is issued
15 pursuant to section 41-1519 and that establishes its qualification for the
16 deduction. For the purposes of this paragraph, "computer data center",
17 "computer data center equipment", "qualification period" and "qualified
18 colocation tenant" have the same meanings prescribed in section 41-1519.

19 59. Orthodontic devices dispensed by a dental professional who is
20 licensed under title 32, chapter 11 to a patient as part of the practice of
21 dentistry.

22 60. Sales of tangible personal property incorporated or fabricated
23 into a project described in section 42-5075, subsection 0, that is located
24 within the exterior boundaries of an Indian reservation for which the owner,
25 as defined in section 42-5075, of the project is an Indian tribe or an
26 affiliated Indian. For the purposes of this paragraph:

27 (a) "Affiliated Indian" means an individual native American Indian who
28 is duly registered on the tribal rolls of the Indian tribe for whose benefit
29 the Indian reservation was established.

30 (b) "Indian reservation" means all lands that are within the limits of
31 areas set aside by the United States for the exclusive use and occupancy of
32 an Indian tribe by treaty, law or executive order and that are recognized as
33 Indian reservations by the United States department of the interior.

1 (c) "Indian tribe" means any organized nation, tribe, band or
2 community that is recognized as an Indian tribe by the United States
3 department of the interior and includes any entity formed under the laws of
4 the Indian tribe.

5 61. SALES OF WORKS OF FINE ART, AS DEFINED IN SECTION 44-1771, TO
6 NONRESIDENTS OF THIS STATE FOR USE OUTSIDE THIS STATE IF THE VENDOR SHIPS OR
7 DELIVERS THE WORK OF FINE ART TO A DESTINATION OUTSIDE THIS STATE.

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

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

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

25 3. Tangible personal property sold to persons engaged in business
26 classified under the telecommunications classification, including a person
27 representing or working on behalf of such a person in a manner described in
28 section 42-5075, subsection 0, and consisting of central office switching
29 equipment, switchboards, private branch exchange equipment, microwave radio
30 equipment and carrier equipment including optical fiber, coaxial cable and
31 other transmission media that are components of carrier systems.

32 4. Machinery, equipment or transmission lines used directly in
33 producing or transmitting electrical power, but not including distribution.

1 Transformers and control equipment used at transmission substation sites
2 constitute equipment used in producing or transmitting electrical power.

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

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

10 7. Aircraft, navigational and communication instruments and other
11 accessories and related equipment sold to:

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

18 (b) Any foreign government.

19 (c) Persons who are not residents of this state and who will not use
20 such property in this state other than in removing such property from this
21 state. This subdivision also applies to corporations that are not
22 incorporated in this state, regardless of maintaining a place of business in
23 this state, if the principal corporate office is located outside this state
24 and the property will not be used in this state other than in removing the
25 property from this state.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21 19. Machinery and equipment that are sold to a person engaged in the
22 commercial production of livestock, livestock products or agricultural,
23 horticultural, viticultural or floricultural crops or products in this state,
24 including a person representing or working on behalf of such a person in a
25 manner described in section 42-5075, subsection 0, if the machinery and
26 equipment are used directly and primarily to prevent, monitor, control or
27 reduce air, water or land pollution.

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

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

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

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

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

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

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

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

22 2. Janitorial equipment and hand tools.

23 3. Office equipment, furniture and supplies.

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

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

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

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

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

1 horticultural product or any other product, article, substance or commodity
2 and who sells the product of such business at retail in this state is deemed,
3 as to such sales, to be engaged in business classified under the retail
4 classification. This subsection does not apply to businesses classified
5 under the:

- 6 1. Transporting classification.
- 7 2. Utilities classification.
- 8 3. Telecommunications classification.
- 9 4. Pipeline classification.
- 10 5. Private car line classification.
- 11 6. Publication classification.
- 12 7. Job printing classification.
- 13 8. Prime contracting classification.
- 14 9. Restaurant classification.

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

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

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

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

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

1 K. There shall be deducted from the tax base fifty percent of the
2 gross proceeds or gross income from any sale of tangible personal property
3 made directly to the United States government or its departments or agencies
4 that is not deducted under subsection J of this section.

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

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

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

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

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

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

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

32 Q. Retail sales of prepaid calling cards or prepaid authorization
33 numbers for telecommunications services, including sales of reauthorization

1 of a prepaid card or authorization number, are subject to tax under this
2 section.

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

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

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

11 S. For the purposes of this section, the transfer of title or
12 possession of coal from an owner or operator of a power plant to a person in
13 the business of refining coal is not a sale of coal if both of the following
14 apply:

15 1. The transfer of title or possession of the coal is for the purpose
16 of refining the coal.

17 2. The title or possession of the coal is transferred back to the
18 owner or operator of the power plant after completion of the coal refining
19 process. For the purposes of this paragraph, "coal refining process"
20 means the application of a coal additive system that aids in the reduction of
21 power plant emissions during the combustion of coal and the treatment of flue
22 gas.

23 T. If a seller is entitled to a deduction pursuant to subsection B,
24 paragraph 15, subdivision (b) of this section, the department may require the
25 purchaser to establish that the requirements of subsection B, paragraph 15,
26 subdivision (b) of this section have been satisfied. If the purchaser cannot
27 establish that the requirements of subsection B, paragraph 15, subdivision
28 (b) of this section have been satisfied, the purchaser is liable in an amount
29 equal to any tax, penalty and interest which the seller would have been
30 required to pay under article 1 of this chapter if the seller had not made a
31 deduction pursuant to subsection B, paragraph 15, subdivision (b) of this
32 section. Payment of the amount under this subsection exempts the purchaser
33 from liability for any tax imposed under article 4 of this chapter and

1 related to the tangible personal property purchased. The amount shall be
2 treated as transaction privilege tax to the purchaser and as tax revenues
3 collected from the seller to designate the distribution base pursuant to
4 section 42-5029.

5 U. For the purposes of section 42-5032.01, the department shall
6 separately account for revenues collected under the retail classification
7 from businesses selling tangible personal property at retail:

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

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

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

25 W. For the purposes of this section:

26 1. "Aircraft" includes:

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

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

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

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

9 X. For the purposes of subsection J of this section:

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

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

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

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

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

28 6. "Subcontract" means an agreement between a contractor and any
29 person who is not an employee of the contractor for furnishing of supplies or
30 services that, in whole or in part, are necessary to the performance of one
31 or more government contracts, or under which any portion of the contractor's
32 obligation under one or more government contracts is performed, undertaken or
33 assumed and that includes provisions causing title to overhead materials or

1 other tangible personal property used in the performance of the subcontract
2 to pass to the government or that includes provisions incorporating such
3 title passing clauses in a government contract into the subcontract."

4 Renumber to conform

5 Page 23, after line 25, insert:

6 "Sec. 15. Retroactivity

7 Section 42-5061, subsection A, paragraph 61, Arizona Revised Statutes,
8 as added by this act, applies retroactively to taxable years beginning from
9 and after December 31, 2014."

10 Amend title to conform

MICHELLE R. UGENTI

1133mu1
03/25/2015
12:12 PM
C: dmt