

REFERENCE TITLE: TPT; use tax exemption; aircraft

State of Arizona
House of Representatives
Fifty-second Legislature
First Regular Session
2015

HB 2381

Introduced by
Representative Olson

AN ACT

AMENDING SECTIONS 42-5061 AND 42-5159, ARIZONA REVISED STATUTES; RELATING TO TRANSACTION PRIVILEGE AND USE TAX DEDUCTIONS AND EXEMPTIONS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 42-5061, Arizona Revised Statutes, is amended to
3 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.
27 7. The sale of stocks and bonds.
28 8. Drugs and medical oxygen, including delivery hose, mask or tent,
29 regulator and tank, on the prescription of a member of the medical, dental or
30 veterinarian profession who is licensed by law to administer such substances.
31 9. Prosthetic appliances as defined in section 23-501 prescribed or
32 recommended by a health professional who is licensed pursuant to title 32,
33 chapter 7, 8, 11, 13, 14, 15, 16, 17 or 29.
34 10. Insulin, insulin syringes and glucose test strips.
35 11. Prescription eyeglasses or contact lenses.
36 12. Hearing aids as defined in section 36-1901.
37 13. Durable medical equipment that has a centers for medicare and
38 medicaid services common procedure code, is designated reimbursable by
39 medicare, is prescribed by a person who is licensed under title 32, chapter
40 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is primarily and
41 customarily used to serve a medical purpose, is generally not useful to a
42 person in the absence of illness or injury and is appropriate for use in the
43 home.

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

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

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

11 17. Textbooks by any bookstore that are required by any state
12 university or community college.

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

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

22 20. Lottery tickets or shares pursuant to title 5, chapter 5.1,
23 article 1.

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

31 (a) "Cash equivalents" means items or intangibles, whether or not
32 negotiable, that are sold to one or more persons, through which a value
33 denominated in money is purchased in advance and may be redeemed in full or
34 in part for tangible personal property, intangibles or services. Cash
35 equivalents include gift cards, stored value cards, gift certificates,
36 vouchers, traveler's checks, money orders or other instruments, orders or
37 electronic mechanisms, such as an electronic code, personal identification
38 number or digital payment mechanism, or any other prepaid intangible right to
39 acquire tangible personal property, intangibles or services in the future,
40 whether from the seller of the cash equivalent or from another person. Cash
41 equivalents do not include either of the following:

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

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

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

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

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

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

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

20 25. Tangible personal property sold to:

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

22 (b) A qualifying health care organization as defined in section
23 42-5001 if the tangible personal property is used by the organization solely
24 to provide health and medical related educational and charitable services.

25 (c) A qualifying health care organization as defined in section
26 42-5001 if the organization is dedicated to providing educational,
27 therapeutic, rehabilitative and family medical education training for blind
28 and visually impaired children and children with ~~multidisabilities~~ MULTIPLE
29 DISABILITIES from the time of birth to age twenty-one.

30 (d) A qualifying community health center as defined in section
31 42-5001.

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

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

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

1 26. Magazines or other periodicals or other publications by this state
2 to encourage tourist travel.

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

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

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

13 28. The sale of a motor vehicle to:

14 (a) A nonresident of this state if the purchaser's state of residence
15 does not allow a corresponding use tax exemption to the tax imposed by
16 article 1 of this chapter and if the nonresident has secured a special ninety
17 day nonresident registration permit for the vehicle as prescribed by sections
18 28-2154 and 28-2154.01.

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

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

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

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

38 32. Sales of tangible personal property by a nonprofit organization
39 that is exempt from taxation under section 501(c)(3), 501(c)(4), 501(c)(6),
40 501(c)(7) or 501(c)(8) of the internal revenue code if the organization
41 sponsors or operates a rodeo featuring primarily farm and ranch animals and
42 no part of the organization's net earnings inures to the benefit of any
43 private shareholder or individual.

44 33. Sales of seeds, seedlings, roots, bulbs, cuttings and other
45 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 ~~who has~~ WITH a physical disability as defined in
5 section 46-191, ~~OR A PERSON WHO~~ has a developmental disability as defined in
6 section 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 electricity
14 sold to a qualified environmental technology manufacturer, producer or
15 processor as defined in section 41-1514.02 and directly used or consumed in
16 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
34 the purposes of this paragraph, "printing" means a commercial printing
35 operation and includes job printing, engraving, embossing, copying and
36 bookbinding.

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

43 (a) "Personal property liquidation transaction" means a sale of
44 personal property made by a personal property liquidator acting solely on
45 behalf of the owner of the personal property sold at the dwelling of the

1 owner or on the death of any owner, on behalf of the surviving spouse, if
2 any, any devisee or heir or the personal representative of the estate of the
3 deceased, if one has been appointed.

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

6 40. Sales of food, drink and condiment for consumption within the
7 premises of any prison, jail or other institution under the jurisdiction of
8 the state department of corrections, the department of public safety, the
9 department of juvenile corrections or a county sheriff.

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

14 42. Livestock and poultry feed, salts, vitamins and other additives for
15 livestock or poultry consumption that are sold to persons who are engaged in
16 producing livestock, poultry, or livestock or poultry products or who are
17 engaged in feeding livestock or poultry commercially. For the purposes of
18 this paragraph, "poultry" includes ratites.

19 43. Sales of implants used as growth promotants and injectable
20 medicines, not already exempt under paragraph 8 of this subsection, for
21 livestock or poultry owned by or in possession of persons who are engaged in
22 producing livestock, poultry, or livestock or poultry products or who are
23 engaged in feeding livestock or poultry commercially. For the purposes of
24 this paragraph, "poultry" includes ratites.

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

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

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

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

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

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

44 48. Tangible personal property sold to a commercial airline and
45 consisting of food, beverages and condiments and accessories used for serving

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

7 49. Sales of alternative fuel vehicles if the vehicle was manufactured
8 as a diesel fuel vehicle and converted to operate on alternative fuel and
9 equipment that is installed in a conventional diesel fuel motor vehicle to
10 convert the vehicle to operate on an alternative fuel, as defined in section
11 1-215.

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

15 51. Sales of tangible personal property to be incorporated or installed
16 as part of environmental response or remediation activities under section
17 42-5075, subsection B, paragraph 6.

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

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

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

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

31 (b) "Curriculum design or enhancement" means planning, implementing or
32 reporting on courses of study, lessons, assignments or other learning
33 activities.

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

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

42 57. Sales or other transfers of renewable energy credits or any other
43 unit created to track energy derived from renewable energy resources. For
44 the purposes of this paragraph, "renewable energy credit" means a unit
45 created administratively by the corporation commission or governing body of a

1 public power utility to track kilowatt hours of electricity derived from a
2 renewable energy resource or the kilowatt hour equivalent of conventional
3 energy resources displaced by distributed renewable energy resources.

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

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

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

22 1. Machinery, or equipment, used directly in manufacturing,
23 processing, fabricating, job printing, refining or metallurgical operations.
24 The terms "manufacturing", "processing", "fabricating", "job printing",
25 "refining" and "metallurgical" as used in this paragraph refer to and include
26 those operations commonly understood within their ordinary meaning.
27 "Metallurgical operations" includes leaching, milling, precipitating,
28 smelting and refining.

29 2. Mining machinery, or equipment, used directly in the process of
30 extracting ores or minerals from the earth for commercial purposes, including
31 equipment required to prepare the materials for extraction and handling,
32 loading or transporting such extracted material to the surface. "Mining"
33 includes underground, surface and open pit operations for extracting ores and
34 minerals.

35 3. Tangible personal property sold to persons engaged in business
36 classified under the telecommunications classification and consisting of
37 central office switching equipment, switchboards, private branch exchange
38 equipment, microwave radio equipment and carrier equipment including optical
39 fiber, coaxial cable and other transmission media that are components of
40 carrier systems.

41 4. Machinery, equipment or transmission lines used directly in
42 producing or transmitting electrical power, but not including distribution.
43 Transformers and control equipment used at transmission substation sites
44 constitute equipment used in producing or transmitting electrical power.

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

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

8 7. Aircraft, navigational and communication instruments and other
9 accessories and related equipment sold, ~~to~~ LEASED OR OTHERWISE TRANSFERRED:

10 (a) TO a person holding, OR EXEMPTED BY FEDERAL LAW FROM OBTAINING, a
11 federal certificate of public convenience and necessity. ~~, a supplemental air~~
12 ~~carrier certificate under federal aviation regulations (14 Code of Federal~~
13 ~~Regulations part 121) or~~

14 (b) TO A PERSON CERTIFICATED OR LICENSED UNDER FEDERAL AVIATION
15 REGULATIONS AS A SCHEDULED OR UNSCHEDULED CARRIER OF PERSONS FOR HIRE FOR USE
16 AS OR IN CONJUNCTION WITH OR BECOMING A PART OF AN AIRCRAFT TO BE USED TO
17 TRANSPORT PERSONS OR PROPERTY FOR HIRE IN INTRASTATE, INTERSTATE OR FOREIGN
18 COMMERCE.

19 (c) TO A PERSON HOLDING a foreign air carrier permit for air
20 transportation for use as or in conjunction with or becoming a part of
21 aircraft to be used to transport persons, property or United States mail in
22 intrastate, interstate or foreign commerce.

23 (d) TO A PERSON ACQUIRING THE AIRCRAFT FOR THE PURPOSE OF SELLING,
24 LEASING OR OTHERWISE TRANSFERRING OPERATIONAL CONTROL, WITHIN THE MEANING OF
25 FEDERAL AVIATION ADMINISTRATION OPERATIONS SPECIFICATION A008, OR ITS
26 SUCCESSOR, OF THE AIRCRAFT TO ONE OR MORE PERSONS DESCRIBED IN SUBDIVISION
27 (a), (b) OR (c) OF THIS PARAGRAPH FOR THE PURPOSE OF CARRYING PERSONS OR
28 PROPERTY FOR HIRE.

29 ~~(b)~~ (e) TO any foreign government.

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

37 (g) WITH THE OBJECTIVE OF PLACING THE AIRCRAFT, NAVIGATIONAL AND
38 COMMUNICATION INSTRUMENTS AND OTHER ACCESSORIES AND RELATED EQUIPMENT UNDER
39 THE OPERATIONAL CONTROL, WITHIN THE MEANING OF FEDERAL AVIATION
40 ADMINISTRATION OPERATIONS SPECIFICATION A008, OR ITS SUCCESSOR, OF A PERSON
41 DESCRIBED IN SUBDIVISION (a), (b), (c) OR (d) OF THIS PARAGRAPH FOR THE
42 PURPOSE OF PLACING THE AIRCRAFT, INSTRUMENTS, ACCESSORIES OR EQUIPMENT IN
43 SERVICE FOR THE PURPOSE OF CARRYING PERSONS OR PROPERTY FOR HIRE IN
44 INTRASTATE, INTERSTATE OR FOREIGN COMMERCE.

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

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

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

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

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

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

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

1 commission, the Arizona department of environmental quality or a political
2 subdivision of this state to prevent, monitor, control or reduce land, water
3 or air pollution.

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

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

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

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

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

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

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

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

35 2. Janitorial equipment and hand tools.

36 3. Office equipment, furniture and supplies.

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

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

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

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

2 8. Machinery and equipment or other tangible personal property used by
3 a contractor in the performance of a contract.

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

12 E. In computing the tax base, gross proceeds of sales or gross income
13 from retail sales of heavy trucks and trailers does not include any amount
14 attributable to federal excise taxes imposed by 26 United States Code section
15 4051.

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

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

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

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

- 40 1. Transporting classification.
- 41 2. Utilities classification.
- 42 3. Telecommunications classification.
- 43 4. Pipeline classification.
- 44 5. Private car line classification.
- 45 6. Publication classification.

1 7. Job printing classification.

2 8. Prime contracting classification.

3 9. Restaurant classification.

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

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

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

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

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

23 K. There shall be deducted from the tax base fifty ~~per cent~~ PERCENT of
24 the gross proceeds or gross income from any sale of tangible personal
25 property made directly to the United States government or its departments or
26 agencies that is not deducted under subsection J of this section.

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

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

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

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

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

42 O. In computing the tax base in the case of the sale or transfer of
43 wireless telecommunications equipment as an inducement to a customer to enter
44 into or continue a contract for telecommunications services that are taxable
45 under section 42-5064, gross proceeds of sales or gross income does not

1 include any sales commissions or other compensation received by the retailer
2 as a result of the customer entering into or continuing a contract for the
3 telecommunications services.

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

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

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

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

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

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

25 1. The transfer of title or possession of the coal is for the purpose
26 of refining the coal.

27 2. The title or possession of the coal is transferred back to the
28 owner or operator of the power plant after completion of the coal refining
29 process. For the purposes of this paragraph, "coal refining process"
30 means the application of a coal additive system that aids in the reduction of
31 power plant emissions during the combustion of coal and the treatment of flue
32 gas.

33 T. If a seller is entitled to a deduction pursuant to subsection B,
34 paragraph 15, subdivision (b) of this section, the department may require the
35 purchaser to establish that the requirements of subsection B, paragraph 15,
36 subdivision (b) of this section have been satisfied. If the purchaser cannot
37 establish that the requirements of subsection B, paragraph 15, subdivision
38 (b) of this section have been satisfied, the purchaser is liable in an amount
39 equal to any tax, penalty and interest which the seller would have been
40 required to pay under article 1 of this chapter if the seller had not made a
41 deduction pursuant to subsection B, paragraph 15, subdivision (b) of this
42 section. Payment of the amount under this subsection exempts the purchaser
43 from liability for any tax imposed under article 4 of this chapter and
44 related to the tangible personal property purchased. The amount shall be
45 treated as transaction privilege tax to the purchaser and as tax revenues

1 collected from the seller to designate the distribution base pursuant to
2 section 42-5029.

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

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

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

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

23 W. For the purposes of this section:

24 1. "Aircraft" includes:

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

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

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

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

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

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

43 2. "Manufacturer" means a person who is principally engaged in the
44 fabrication, production or manufacture of products, wares or articles for use

1 from raw or prepared materials, imparting to those materials new forms,
2 qualities, properties and combinations.

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

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

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

14 6. "Subcontract" means an agreement between a contractor and any
15 person who is not an employee of the contractor for furnishing of supplies or
16 services that, in whole or in part, are necessary to the performance of one
17 or more government contracts, or under which any portion of the contractor's
18 obligation under one or more government contracts is performed, undertaken or
19 assumed and that includes provisions causing title to overhead materials or
20 other tangible personal property used in the performance of the subcontract
21 to pass to the government or that includes provisions incorporating such
22 title passing clauses in a government contract into the subcontract. For the
23 purposes of this paragraph, "contractor" has its ordinary and common meaning
24 ~~and does not have the meaning prescribed by section 42-5001.~~

25 Sec. 2. Section 42-5159, Arizona Revised Statutes, is amended to read:
26 42-5159. Exemptions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

41 13. Tangible personal property purchased by:

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

1 (b) A hospital operated by this state or a political subdivision of
2 this state.

3 (c) A licensed nursing care institution or a licensed residential care
4 institution or a residential care facility operated in conjunction with a
5 licensed nursing care institution or a licensed kidney dialysis center, which
6 provides medical services, nursing services or health related services and is
7 not used or held for profit.

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

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

16 (f) A nonprofit charitable organization that has qualified under
17 section 501(c)(3) of the United States internal revenue code and that engages
18 in and uses such property exclusively in programs for persons with mental or
19 physical disabilities if the programs are exclusively for training, job
20 placement, rehabilitation or testing.

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

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

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

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

34 (i) A qualifying community health center as defined in section
35 42-5001.

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

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

44 (l) For taxable periods beginning from and after June 30, 2001, a
45 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 (m) A qualifying health sciences educational institution as defined in
8 section 42-5001.

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

14 15. Tangible personal property sold by:

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

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

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

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

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

35 18. Prescription eyeglasses and contact lenses.

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

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

38 21. Durable medical equipment that has a centers for medicare and
39 medicaid services common procedure code, is designated reimbursable by
40 medicare, is prescribed by a person who is licensed under title 32, chapter
41 7, 13, 17 or 29, can withstand repeated use, is primarily and customarily
42 used to serve a medical purpose, is generally not useful to a person in the
43 absence of illness or injury and is appropriate for use in the home.

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

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

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

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

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

17 27. Lottery tickets or shares purchased pursuant to title 5, chapter
18 5.1, article 1.

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

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

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

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

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

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

41 (b) Public educational institutions.

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

1 33. Natural gas or liquefied petroleum gas used to propel a motor
2 vehicle.

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

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

21 36. Food, drink and condiment purchased for consumption within the
22 premises of any prison, jail or other institution under the jurisdiction of
23 the state department of corrections, the department of public safety, the
24 department of juvenile corrections or a county sheriff.

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

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

32 39. Overhead materials or other tangible personal property that is used
33 in performing a contract between the United States government and a
34 manufacturer, modifier, assembler or repairer, including property used in
35 performing a subcontract with a government contractor who is a manufacturer,
36 modifier, assembler or repairer, to which title passes to the government
37 under the terms of the contract or subcontract. For the purposes of this
38 paragraph:

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

1 (b) "Subcontract" means an agreement between a contractor and any
2 person who is not an employee of the contractor for furnishing of supplies or
3 services that, in whole or in part, are necessary to the performance of one
4 or more government contracts, or under which any portion of the contractor's
5 obligation under one or more government contracts is performed, undertaken or
6 assumed, and that includes provisions causing title to overhead materials or
7 other tangible personal property used in the performance of the subcontract
8 to pass to the government or that includes provisions incorporating such
9 title passing clauses in a government contract into the subcontract.

10 40. Through December 31, 1994, tangible personal property sold pursuant
11 to a personal property liquidation transaction, as defined in section
12 42-5061. From and after December 31, 1994, tangible personal property sold
13 pursuant to a personal property liquidation transaction, as defined in
14 section 42-5061, if the gross proceeds of the sales were included in the
15 measure of the tax imposed by article 1 of this chapter or if the personal
16 property liquidation was a casual activity or transaction.

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

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

23 43. Tangible personal property purchased by 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 44. Alternative fuel vehicles if the vehicle was manufactured as a
32 diesel fuel vehicle and converted to operate on alternative fuel and
33 equipment that is installed in a conventional diesel fuel motor vehicle to
34 convert the vehicle to operate on an alternative fuel, as defined in section
35 1-215.

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

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

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

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

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

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

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

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

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

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

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

27 52. Repair parts installed in equipment used directly by a qualified
28 business under section 41-1516 in harvesting, processing or transporting
29 qualifying forest products removed from qualifying projects as defined in
30 section 41-1516.

31 53. Renewable energy credits or any other unit created to track energy
32 derived from renewable energy resources. For the purposes of this paragraph,
33 "renewable energy credit" means a unit created administratively by the
34 corporation commission or governing body of a public power entity to track
35 kilowatt hours of electricity derived from a renewable energy resource or the
36 kilowatt hour equivalent of conventional energy resources displaced by
37 distributed renewable energy resources.

38 54. Computer data center equipment purchased by the owner, operator or
39 qualified colocation tenant of the computer data center or an authorized
40 agent of the owner, operator or qualified colocation tenant during the
41 qualification period for use in a computer data center that is certified by
42 the Arizona commerce authority under section 41-1519. To qualify for this
43 deduction, at the time of purchase, the owner, operator or qualified
44 colocation tenant must present to the retailer its certificate that is issued
45 pursuant to section 41-1519 and that establishes its qualification for the

1 deduction. For the purposes of this paragraph, "computer data center",
2 "computer data center equipment", "qualification period" and "qualified
3 colocation tenant" have the same meanings prescribed in section 41-1519.

4 55. Coal acquired from an owner or operator of a power plant by a
5 person who is responsible for refining coal if both of the following apply:

6 (a) The transfer of title or possession of the coal is for the purpose
7 of refining the coal.

8 (b) The title or possession of the coal is transferred back to the
9 owner or operator of the power plant after completion of the coal refining
10 process. For the purposes of this subdivision, "coal refining process" means
11 the application of a coal additive system that aids the reduction of power
12 plant emissions during the combustion of coal and the treatment of flue gas.

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

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

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

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

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

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

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

1 7. Aircraft, navigational and communication instruments and other
2 accessories and related equipment sold, ~~to~~ LEASED OR OTHERWISE TRANSFERRED:

3 (a) TO a person holding, OR EXEMPTED BY FEDERAL LAW FROM OBTAINING, a
4 federal certificate of public convenience and necessity. ~~, a supplemental air~~
5 ~~carrier certificate under federal aviation regulations (14 Code of Federal~~
6 ~~Regulations part 121) or~~

7 (b) TO A PERSON CERTIFICATED OR LICENSED UNDER FEDERAL AVIATION
8 REGULATIONS AS A SCHEDULED OR UNSCHEDULED CARRIER OF PERSONS FOR HIRE FOR USE
9 AS OR IN CONJUNCTION WITH OR BECOMING A PART OF AN AIRCRAFT TO BE USED TO
10 TRANSPORT PERSONS OR PROPERTY FOR HIRE IN INTRASTATE, INTERSTATE OR FOREIGN
11 COMMERCE.

12 (c) TO A PERSON HOLDING a foreign air carrier permit for air
13 transportation for use as or in conjunction with or becoming a part of
14 aircraft to be used to transport persons, property or United States mail in
15 intrastate, interstate or foreign commerce.

16 (d) TO A PERSON ACQUIRING THE AIRCRAFT FOR THE PURPOSE OF SELLING,
17 LEASING OR OTHERWISE TRANSFERRING OPERATIONAL CONTROL, WITHIN THE MEANING OF
18 FEDERAL AVIATION ADMINISTRATION OPERATIONS SPECIFICATION A008, OR ITS
19 SUCCESSOR, OF THE AIRCRAFT TO ONE OR MORE PERSONS DESCRIBED IN SUBDIVISION
20 (a), (b) OR (c) OF THIS PARAGRAPH FOR THE PURPOSE OF CARRYING PERSONS OR
21 PROPERTY FOR HIRE.

22 ~~(b)~~ (e) TO any foreign government. ~~, or sold~~

23 (f) To persons who are not residents of this state and who will not
24 use such property in this state other than in removing such property from
25 this state.

26 (g) WITH THE OBJECTIVE OF PLACING THE AIRCRAFT, NAVIGATIONAL AND
27 COMMUNICATION INSTRUMENTS AND OTHER ACCESSORIES AND RELATED EQUIPMENT UNDER
28 THE OPERATIONAL CONTROL, WITHIN THE MEANING OF FEDERAL AVIATION
29 ADMINISTRATION OPERATIONS SPECIFICATION A008, OR ITS SUCCESSOR, OF A PERSON
30 DESCRIBED IN SUBDIVISION (a), (b), (c) OR (d) OF THIS PARAGRAPH FOR THE
31 PURPOSE OF PLACING THE AIRCRAFT, INSTRUMENTS, ACCESSORIES OR EQUIPMENT IN
32 SERVICE FOR THE PURPOSE OF CARRYING PERSONS OR PROPERTY FOR HIRE IN
33 INTRASTATE, INTERSTATE OR FOREIGN COMMERCE.

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

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

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

43 11. Buses or other urban mass transit vehicles that are used directly
44 to transport persons or property for hire or pursuant to a governmentally
45 adopted and controlled urban mass transportation program and that are sold to

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

43 2. Revenues received from providing electricity, including ancillary
44 services, electric distribution services, electric generation services,
45 electric transmission services and other services related to providing

1 electricity with respect to which the transaction privilege tax imposed under
2 section 42-5063 has been paid.

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

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

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

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

18 G. The tax levied by this article does not apply to the purchase price
19 of electricity or natural gas by a business that is principally engaged in
20 manufacturing or smelting operations and that uses at least fifty-one ~~per~~
21 ~~cent~~ PERCENT of the electricity or natural gas in the manufacturing or
22 smelting operations. This subsection does not apply to gas transportation
23 services. For the purposes of this subsection:

24 1. "Gas transportation services" means the services of transporting
25 natural gas to a natural gas customer or to a natural gas distribution
26 facility if the natural gas was purchased from a supplier other than the
27 utility.

28 2. "Manufacturing" means the performance as a business of an
29 integrated series of operations that places tangible personal property in a
30 form, composition or character different from that in which it was acquired
31 and transforms it into a different product with a distinctive name, character
32 or use. Manufacturing does not include processing, fabricating, job
33 printing, mining, generating electricity or operating a restaurant.

34 3. "Principally engaged" means at least fifty-one ~~per-cent~~ PERCENT of
35 the business is a manufacturing or smelting operation.

36 4. "Smelting" means to melt or fuse a metalliferous mineral, often
37 with an accompanying chemical change, usually to separate the metal.

38 H. For the purposes of subsection B of this section:

39 1. "Aircraft" includes:

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

43 (b) Tangible personal property that is permanently affixed or attached
44 as a component part of an aircraft that is owned or operated by a
45 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 I. For the purposes of subsection D of this section, "ancillary
5 services", "electric distribution service", "electric generation service",
6 "electric transmission service" and "other services" have the same meanings
7 prescribed in section 42-5063.