

REFERENCE TITLE: international operations centers

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

## **HB 2670**

Introduced by  
Representatives Gowan, Livingston, Montenegro, Olson, Robson, Stevens

AN ACT

AMENDING TITLE 41, CHAPTER 10, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-1520; AMENDING SECTIONS 42-5063, 42-5159, 42-6012, 43-1083.04 AND 43-1164.05, ARIZONA REVISED STATUTES; RELATING TO INTERNATIONAL OPERATIONS CENTERS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 41, chapter 10, article 1, Arizona Revised Statutes,  
3 is amended by adding section 41-1520, to read:

4 41-1520. International operations center; utility relief;  
5 definitions

6 A. FROM AND AFTER JUNE 30, 2015, UTILITY RELIEF IS ALLOWED FOR THE  
7 OWNER OR OPERATOR OF AN INTERNATIONAL OPERATIONS CENTER THAT IS CERTIFIED  
8 PURSUANT TO THIS SECTION.

9 B. TO QUALIFY FOR THE UTILITY RELIEF, THE OWNER OR OPERATOR MUST  
10 SUBMIT TO THE AUTHORITY AN APPLICATION IN A FORM PRESCRIBED BY THE AUTHORITY  
11 THAT INCLUDES ALL OF THE FOLLOWING:

12 1. THE OWNER'S OR OPERATOR'S NAME, ADDRESS AND TELEPHONE NUMBER.

13 2. THE ADDRESS OF THE SITE WHERE THE FACILITY IS OR WILL BE LOCATED,  
14 INCLUDING, IF APPLICABLE, INFORMATION SUFFICIENT TO IDENTIFY THE SPECIFIC  
15 PORTION OR PORTIONS OF THE FACILITY COMPRISING THE INTERNATIONAL OPERATIONS  
16 CENTER.

17 C. WITHIN SIXTY DAYS AFTER RECEIVING A COMPLETE AND CORRECT  
18 APPLICATION, THE AUTHORITY SHALL REVIEW THE APPLICATION AND EITHER ISSUE A  
19 WRITTEN CERTIFICATION THAT THE INTERNATIONAL OPERATIONS CENTER QUALIFIES FOR  
20 THE UTILITY RELIEF OR PROVIDE WRITTEN REASONS FOR ITS DENIAL. A FAILURE TO  
21 APPROVE OR DENY THE APPLICATION WITHIN SIXTY DAYS AFTER THE DATE OF SUBMITTAL  
22 CONSTITUTES CERTIFICATION OF THE INTERNATIONAL OPERATIONS CENTER, AND THE  
23 AUTHORITY SHALL ISSUE WRITTEN CERTIFICATION TO THE OWNER OR OPERATOR WITHIN  
24 FOURTEEN DAYS. THE AUTHORITY SHALL SEND A COPY OF THE CERTIFICATION TO THE  
25 DEPARTMENT OF REVENUE.

26 D. THE OWNER OR OPERATOR OF THE INTERNATIONAL OPERATIONS CENTER MUST  
27 ACHIEVE BOTH OF THE FOLLOWING INVESTMENT REQUIREMENTS AFTER TAKING INTO  
28 ACCOUNT THE COMBINED INVESTMENTS MADE BY THE OWNER OR OPERATOR:

29 1. A MINIMUM ANNUAL INVESTMENT OF ONE HUNDRED MILLION DOLLARS IN NEW  
30 CAPITAL ASSETS, INCLUDING COSTS OF LAND, BUILDINGS AND INTERNATIONAL  
31 OPERATIONS CENTER EQUIPMENT IN EACH OF TEN CONSECUTIVE TAXABLE YEARS OF THE  
32 OWNER OR OPERATOR. INVESTMENTS GREATER THAN ONE HUNDRED MILLION DOLLARS IN  
33 ANY TAXABLE YEAR MAY BE CARRIED FORWARD AS A CREDIT TOWARD THE INVESTMENT  
34 REQUIREMENT IN FUTURE YEARS.

35 2. ON OR BEFORE THE TENTH ANNIVERSARY OF CERTIFICATION, A MINIMUM  
36 INVESTMENT OF AT LEAST ONE BILLION TWO HUNDRED FIFTY MILLION DOLLARS IN NEW  
37 CAPITAL ASSETS, INCLUDING COSTS OF LAND, BUILDINGS AND INTERNATIONAL  
38 OPERATIONS CENTER EQUIPMENT.

39 E. WITHIN THIRTY DAYS AFTER THE END OF EACH TAX YEAR FOLLOWING  
40 CERTIFICATION, AND THE TENTH ANNIVERSARY OF CERTIFICATION, THE OWNER OR  
41 OPERATOR SHALL FURNISH THE AUTHORITY WRITTEN INFORMATION DEMONSTRATING  
42 WHETHER THE CERTIFIED INTERNATIONAL OPERATIONS CENTER HAS OR HAS NOT  
43 SATISFIED THE INVESTMENT REQUIREMENTS PRESCRIBED IN SUBSECTION D OF THIS  
44 SECTION. UNTIL THE INVESTMENT REQUIREMENTS PRESCRIBED IN SUBSECTION D OF  
45 THIS SECTION ARE MET, THE OWNER OR OPERATOR SHALL KEEP DETAILED RECORDS OF

1 ALL CAPITAL INVESTMENT IN THE INTERNATIONAL OPERATIONS CENTER, INCLUDING  
2 COSTS OF LAND, BUILDINGS AND INTERNATIONAL OPERATIONS CENTER EQUIPMENT, AND  
3 ALL UTILITY RELIEF DIRECTLY RECEIVED BY THE OWNER OR OPERATOR.

4 F. IF THE AUTHORITY DETERMINES THAT THE REQUIREMENTS OF THIS SECTION  
5 HAVE NOT BEEN SATISFIED, THE AUTHORITY MAY REVOKE THE CERTIFICATION OF THE  
6 INTERNATIONAL OPERATIONS CENTER AND NOTIFY THE DEPARTMENT OF REVENUE IN  
7 WRITING. THE OWNER OR OPERATOR MAY APPEAL THE REVOCATION. THE AUTHORITY MAY  
8 GIVE SPECIAL CONSIDERATION OR ALLOW A TEMPORARY EXCEPTION IF THERE IS  
9 EXTRAORDINARY HARDSHIP DUE TO FACTORS BEYOND THE OWNER'S OR OPERATOR'S  
10 CONTROL. IF CERTIFICATION IS REVOKED, THE DEPARTMENT OF REVENUE SHALL ORDER  
11 THE OWNER OR OPERATOR TO FORFEIT FURTHER ENTITLEMENT TO UTILITY RELIEF. IF  
12 THE OWNER OR OPERATOR FAILS TO MAKE A MINIMUM CAPITAL INVESTMENT OF ONE  
13 HUNDRED MILLION DOLLARS IN A TAXABLE YEAR, TAKING INTO ACCOUNT ANY EXCESS  
14 INVESTMENT AMOUNTS CARRIED FORWARD FROM PREVIOUS YEARS, THE OWNER OR OPERATOR  
15 MAY AVOID REVOCATION OF ITS CERTIFICATION BY PAYING TO THE DEPARTMENT OF  
16 REVENUE WITHIN SIXTY DAYS FOLLOWING THE END OF THE TAXABLE YEAR THE AMOUNT OF  
17 THE UTILITY RELIEF PROVIDED PURSUANT TO THIS SECTION IN THAT YEAR.

18 G. THE AUTHORITY AND THE DEPARTMENT OF REVENUE SHALL PRESCRIBE FORMS  
19 AND PROCEDURES AS NECESSARY FOR THE PURPOSES OF THIS SECTION.

20 H. PROPRIETARY BUSINESS INFORMATION CONTAINED IN THE APPLICATION FORM  
21 DESCRIBED IN SUBSECTION B OF THIS SECTION AND THE WRITTEN NOTICE DESCRIBED IN  
22 SUBSECTION F OF THIS SECTION ARE CONFIDENTIAL AND MAY NOT BE DISCLOSED TO THE  
23 PUBLIC EXCEPT THAT THE INFORMATION SHALL BE TRANSMITTED TO THE DEPARTMENT OF  
24 REVENUE. THE AUTHORITY OR THE DEPARTMENT MAY DISCLOSE THE NAME OF AN  
25 INTERNATIONAL OPERATIONS CENTER THAT HAS BEEN CERTIFIED PURSUANT TO THIS  
26 SECTION.

27 I. EXCEPT AS PROVIDED IN SUBSECTION F OF THIS SECTION, ON  
28 CERTIFICATION, THE INTERNATIONAL OPERATIONS CENTER REMAINS CERTIFIED  
29 REGARDLESS OF A FUTURE TRANSFER, SALE OR DIRECT OR INDIRECT DISPOSITION OF  
30 THE INTERNATIONAL OPERATIONS CENTER.

31 J. AN OWNER OR OPERATOR MAY BE COMPRISED OF A SINGLE ENTITY OR  
32 AFFILIATED ENTITIES.

33 K. FOR THE PURPOSES OF THIS SECTION:

34 1. "INTERNATIONAL OPERATIONS CENTER" MEANS A FACILITY THAT IS SUBJECT  
35 TO THE INVESTMENT THRESHOLDS UNDER SUBSECTION D OF THIS SECTION AND THAT  
36 SELF-CONSUMES RENEWABLE ENERGY FROM A QUALIFIED FACILITY PURSUANT TO SECTION  
37 43-1083.04, SUBSECTION C OR SECTION 43-1164.05, SUBSECTION C.

38 2. "UTILITY RELIEF" MEANS THE REDUCED ECONOMIC BURDEN OF THE  
39 TRANSACTION PRIVILEGE TAX, USE TAX OR MUNICIPAL TAX THAT IS PROVIDED TO A  
40 RETAIL PURCHASER OF ELECTRICITY OR NATURAL GAS THROUGH THE APPLICATION OF  
41 SECTION 42-5063, SUBSECTION C, PARAGRAPH 7, SECTION 42-5159, SUBSECTION G,  
42 PARAGRAPH 2 AND SECTION 42-6012, PARAGRAPH 2.

43 Sec. 2. Section 42-5063, Arizona Revised Statutes, is amended to read:  
44 42-5063. Utilities classification; definitions

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

- 1           1. Producing and furnishing or furnishing to consumers natural or  
2 artificial gas and water.
- 3           2. Providing to retail electric customers ancillary services, electric  
4 distribution services, electric generation services, electric transmission  
5 services and other services related to providing electricity.
- 6           B. The utilities classification does not include:
- 7           1. Sales of ancillary services, electric distribution services,  
8 electric generation services, electric transmission services and other  
9 services related to providing electricity, gas or water to a person who  
10 resells the services.
- 11          2. Sales of natural gas or liquefied petroleum gas used to propel a  
12 motor vehicle.
- 13          3. Sales of alternative fuel, as defined in section 1-215, to a used  
14 oil fuel burner who has received a permit to burn used oil or used oil fuel  
15 under section 49-426 or 49-480.
- 16          4. Sales of ancillary services, electric distribution services,  
17 electric generation services, electric transmission services and other  
18 services that are related to providing electricity to a retail electric  
19 customer who is located outside this state for use outside this state if the  
20 electricity is delivered to a point of sale outside this state.
- 21          5. Sales or other transfers of renewable energy credits or any other  
22 unit created to track energy derived from renewable energy resources. For  
23 the purposes of this paragraph, "renewable energy credit" means a unit  
24 created administratively by the corporation commission or governing body of a  
25 public power utility to track kilowatt hours of electricity derived from a  
26 renewable energy resource or the kilowatt hour equivalent of conventional  
27 energy resources displaced by distributed renewable energy resources.
- 28          C. The tax base for the utilities classification is the gross proceeds  
29 of sales or gross income derived from the business, but the following shall  
30 be deducted from the tax base:
- 31          1. Revenues received by a municipally owned utility in the form of  
32 fees charged to persons constructing residential, commercial or industrial  
33 developments or connecting residential, commercial or industrial developments  
34 to a municipal utility system or systems if the fees are segregated and used  
35 only for capital expansion, system enlargement or debt service of the utility  
36 system or systems.
- 37          2. Revenues received by any person or persons owning a utility system  
38 in the form of reimbursement or contribution compensation for property and  
39 equipment installed to provide utility access to, on or across the land of an  
40 actual utility consumer if the property and equipment become the property of  
41 the utility. This deduction shall not exceed the value of such property and  
42 equipment.
- 43          3. Gross proceeds of sales or gross income derived from sales to:  
44          (a) Qualifying hospitals as defined in section 42-5001.

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

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

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

18 6. Gross proceeds of sales or gross income derived from sales of  
19 electricity or natural gas to 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 paragraph does not apply to gas transportation  
23 services. For the purposes of this paragraph:

24 (a) "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 (b) "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 (c) "Principally engaged" means at least fifty-one ~~per cent~~ PERCENT of  
35 the business is a manufacturing or smelting operation.

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

38 7. GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM SALES OF  
39 ELECTRICITY OR NATURAL GAS TO A BUSINESS THAT OPERATES AN INTERNATIONAL  
40 OPERATIONS CENTER IN THIS STATE AND THAT IS CERTIFIED BY THE ARIZONA COMMERCE  
41 AUTHORITY PURSUANT TO SECTION 41-1520.

42 D. For the purposes of this section:

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

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

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

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

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

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

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

18 Sec. 3. Section 42-5159, Arizona Revised Statutes, is amended to read:  
19 [42-5159. Exemptions](#)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

35 13. Tangible personal property purchased by:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 (m) A qualifying health sciences educational institution as defined in  
2 section 42-5001.

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

8 15. Tangible personal property sold by:

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

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

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

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

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

29 18. Prescription eyeglasses and contact lenses.

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

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

32 21. Durable medical equipment that has a centers for medicare and  
33 medicaid services common procedure code, is designated reimbursable by  
34 medicare, is prescribed by a person who is licensed under title 32, chapter  
35 7, 13, 17 or 29, can withstand repeated use, is primarily and customarily  
36 used to serve a medical purpose, is generally not useful to a person in the  
37 absence of illness or injury and is appropriate for use in the home.

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

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

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

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

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

12           27. Lottery tickets or shares purchased pursuant to title 5, chapter  
13 5.1, article 1.

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

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

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

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

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

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

36           (b) Public educational institutions.

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

40           33. Natural gas or liquefied petroleum gas used to propel a motor  
41 vehicle.

42           34. Machinery, equipment, technology or related supplies that are only  
43 useful to assist a person ~~who has~~ WITH a physical disability as defined in  
44 section 46-191, ~~OR A PERSON WHO~~ has a developmental disability as defined in

1 section 36-551 or has a head injury as defined in section 41-3201 to be more  
2 independent and functional.

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

16 36. Food, drink and condiment purchased for consumption within the  
17 premises of any prison, jail or other institution under the jurisdiction of  
18 the state department of corrections, the department of public safety, the  
19 department of juvenile corrections or a county sheriff.

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

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

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

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

41 (b) "Subcontract" means an agreement between a contractor and any  
42 person who is not an employee of the contractor for furnishing of supplies or  
43 services that, in whole or in part, are necessary to the performance of one  
44 or more government contracts, or under which any portion of the contractor's  
45 obligation under one or more government contracts is performed, undertaken or

1 assumed, and that includes provisions causing title to overhead materials or  
2 other tangible personal property used in the performance of the subcontract  
3 to pass to the government or that includes provisions incorporating such  
4 title passing clauses in a government contract into the subcontract.

5 40. Through December 31, 1994, tangible personal property sold pursuant  
6 to a personal property liquidation transaction, as defined in section  
7 42-5061. From and after December 31, 1994, tangible personal property sold  
8 pursuant to a personal property liquidation transaction, as defined in  
9 section 42-5061, if the gross proceeds of the sales were included in the  
10 measure of the tax imposed by article 1 of this chapter or if the personal  
11 property liquidation was a casual activity or transaction.

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

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

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

26 44. Alternative fuel vehicles if the vehicle was manufactured as a  
27 diesel fuel vehicle and converted to operate on alternative fuel and  
28 equipment that is installed in a conventional diesel fuel motor vehicle to  
29 convert the vehicle to operate on an alternative fuel, as defined in section  
30 1-215.

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

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

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

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

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

44 48. Tangible personal property sold by a nonprofit organization that is  
45 exempt from taxation under section 501(c)(6) of the internal revenue code if

1 the organization produces, organizes or promotes cultural or civic related  
2 festivals or events and no part of the organization's net earnings inures to  
3 the benefit of any private shareholder or individual.

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

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

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

15 (b) "Curriculum design or enhancement" means planning, implementing or  
16 reporting on courses of study, lessons, assignments or other learning  
17 activities.

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

22 52. Repair parts installed in equipment used directly by a qualified  
23 business under section 41-1516 in harvesting, processing or transporting  
24 qualifying forest products removed from qualifying projects as defined in  
25 section 41-1516.

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

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

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

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

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

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

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

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

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

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

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

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

41 7. Aircraft, navigational and communication instruments and other  
42 accessories and related equipment sold to:

43 (a) A person holding a federal certificate of public convenience and  
44 necessity, a supplemental air carrier certificate under federal aviation  
45 regulations (14 Code of Federal Regulations part 121) or a foreign air

1 carrier permit for air transportation for use as or in conjunction with or  
2 becoming a part of aircraft to be used to transport persons, property or  
3 United States mail in intrastate, interstate or foreign commerce.

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

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

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

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

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

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

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

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

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

36 14. Machinery or equipment used in research and development. For the  
37 purposes of this paragraph, "research and development" means basic and  
38 applied research in the sciences and engineering, and designing, developing  
39 or testing prototypes, processes or new products, including research and  
40 development of computer software that is embedded in or an integral part of  
41 the prototype or new product or that is required for machinery or equipment  
42 otherwise exempt under this section to function effectively. Research and  
43 development do not include manufacturing quality control, routine consumer  
44 product testing, market research, sales promotion, sales service, research in  
45 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"  
20 means the three hundred sixty-five day period beginning on the later of the  
21 date on which the tangible personal property is purchased or the date on  
22 which the direct broadcast satellite television or data transmission service  
23 first transmits information to its customers.

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

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

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

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

44 18. Machinery or equipment, including related structural components,  
45 that is employed in connection with manufacturing, processing, fabricating,

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

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

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

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

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

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

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

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

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

40 2. Janitorial equipment and hand tools.

41 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

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

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

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

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

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

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

37          G. The tax levied by this article does not apply to the purchase price  
38 of electricity or natural gas by:

39           1. A business that is principally engaged in manufacturing or smelting  
40 operations and that uses at least fifty-one ~~per cent~~ PERCENT of the  
41 electricity or natural gas in the manufacturing or smelting operations. This  
42 ~~subsection~~ PARAGRAPH does not apply to gas transportation services. For the  
43 purposes of this ~~subsection~~ PARAGRAPH:

44           ~~1-~~ (a) "Gas transportation services" means the services of  
45 transporting natural gas to a natural gas customer or to a natural gas

1 distribution facility if the natural gas was purchased from a supplier other  
2 than the utility.

3 ~~2-~~ (b) "Manufacturing" means the performance as a business of an  
4 integrated series of operations that places tangible personal property in a  
5 form, composition or character different from that in which it was acquired  
6 and transforms it into a different product with a distinctive name, character  
7 or use. Manufacturing does not include processing, fabricating, job  
8 printing, mining, generating electricity or operating a restaurant.

9 ~~3-~~ (c) "Principally engaged" means at least fifty-one ~~per-cent~~  
10 PERCENT of the business is a manufacturing or smelting operation.

11 ~~4-~~ (d) "Smelting" means to melt or fuse a metalliferous mineral,  
12 often with an accompanying chemical change, usually to separate the metal.

13 2. A BUSINESS THAT OPERATES AN INTERNATIONAL OPERATIONS CENTER IN THIS  
14 STATE AND THAT IS CERTIFIED BY THE ARIZONA COMMERCE AUTHORITY PURSUANT TO  
15 SECTION 41-1520.

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

17 1. "Aircraft" includes:

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

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

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

27 I. For the purposes of subsection D of this section, "ancillary  
28 services", "electric distribution service", "electric generation service",  
29 "electric transmission service" and "other services" have the same meanings  
30 prescribed in section 42-5063.

31 Sec. 4. Section 42-6012, Arizona Revised Statutes, is amended to read:

32 ~~42-6012.~~ Municipal transaction privilege tax: sales of  
33 electricity or natural gas

34 ~~A-~~ A city or town that levies a transaction privilege, sales, gross  
35 receipts, use, franchise or other similar fee or tax, however denominated, on  
36 the business of producing, providing or furnishing electricity, electric  
37 lights, current, power or natural gas shall either tax or exempt in whole the  
38 gross proceeds of sales or gross income from sales by those businesses to  
39 EITHER OF THE FOLLOWING BUSINESSES:

40 1. Businesses that use at least fifty-one ~~per-cent~~ PERCENT of the  
41 electricity, electric lights, current, power or natural gas in a  
42 manufacturing or smelting operation located in that city or town. This  
43 ~~subsection~~ PARAGRAPH does not apply to gas transportation services.

44 ~~B-~~ For the purposes of this ~~section~~ PARAGRAPH:

1 ~~1-~~ (a) "Gas transportation services" means the services of  
2 transporting natural gas to a natural gas customer or to a natural gas  
3 distribution facility if the natural gas was purchased from a supplier other  
4 than the utility.

5 ~~2-~~ (b) "Manufacturing" means the performance as a business of an  
6 integrated series of operations that places tangible personal property in a  
7 form, composition or character different from that in which it was acquired  
8 and transforms it into a different product with a distinctive name, character  
9 or use. Manufacturing does not include processing, fabricating, job  
10 printing, mining, generating electricity or operating a restaurant.

11 ~~3-~~ (c) "Smelting" means to melt or fuse a metalliferous mineral,  
12 often with an accompanying chemical change, usually to separate the metal.

13 2. **BUSINESSES THAT OPERATE AN INTERNATIONAL OPERATIONS CENTER IN THIS**  
14 **STATE AND THAT ARE CERTIFIED BY THE ARIZONA COMMERCE AUTHORITY PURSUANT TO**  
15 **SECTION 41-1520.**

16 Sec. 5. Section 43-1083.04, Arizona Revised Statutes, is amended to  
17 read:

18 43-1083.04. Credit for renewable energy investment and  
19 production for self-consumption by manufacturers  
20 and international operations centers; definitions

21 A. A credit is allowed against the taxes imposed by this title for  
22 investment in new renewable energy facilities that produce energy for  
23 self-consumption using renewable energy resources if the power will be used  
24 primarily for manufacturing **OR FOR AN INTERNATIONAL OPERATIONS CENTER.**

25 B. **IF THE TAXPAYER USES THE POWER GENERATED BY THE RENEWABLE ENERGY**  
26 **FACILITY IN THE TAXPAYER'S MANUFACTURING FACILITY,** the taxpayer is eligible  
27 for the credit if all of the following apply:

28 1. The taxpayer invests at least three hundred million dollars in new  
29 renewable energy facilities in this state that produce energy for  
30 self-consumption using renewable energy resources. The minimum investment  
31 must be completed within a three-year period beginning on the date the  
32 initial application is received or **BY** December 31, 2017, whichever is  
33 earlier.

34 2. At least ninety ~~per-cent~~ **PERCENT** of the energy produced at each  
35 renewable energy facility is used for self-consumption in this state.  
36 Self-consumption includes the power used by related entities if the related  
37 entities are owned directly or indirectly by the same ownership interests  
38 that collectively own more than fifty ~~per-cent~~ **PERCENT**. A facility that  
39 transfers the power it generates to a utility qualifies under this paragraph  
40 if at least ninety ~~per-cent~~ **PERCENT** of the power is transferred back for  
41 self-consumption in this state.

42 3. The power is used primarily for manufacturing. A lessor of a  
43 manufacturing facility that is using power for self-consumption under  
44 paragraph 2 of this subsection qualifies under this paragraph if the lessee

1 is a manufacturer and the power is transferred as part of the lease to the  
2 lessee.

3 C. IF THE TAXPAYER USES THE POWER GENERATED BY THE RENEWABLE ENERGY  
4 FACILITY IN THE TAXPAYER'S INTERNATIONAL OPERATIONS CENTER, THE TAXPAYER IS  
5 ELIGIBLE FOR THE CREDIT IF ALL OF THE FOLLOWING APPLY:

6 1. THE TAXPAYER INVESTS AT LEAST ONE HUNDRED MILLION DOLLARS IN A NEW  
7 RENEWABLE ENERGY FACILITY IN THIS STATE THAT PRODUCES ENERGY FOR  
8 SELF-CONSUMPTION USING RENEWABLE ENERGY RESOURCES. THE MINIMUM INVESTMENT  
9 MUST BE COMPLETED WITHIN A THREE-YEAR PERIOD BEGINNING ON THE DATE THE  
10 INITIAL APPLICATION IS RECEIVED OR BY DECEMBER 31, 2018, WHICHEVER IS  
11 EARLIER.

12 2. A PORTION OF THE ENERGY PRODUCED AT THE RENEWABLE ENERGY FACILITY  
13 IS USED FOR SELF-CONSUMPTION IN THIS STATE. BY THE FIFTH YEAR THE RENEWABLE  
14 ENERGY FACILITY IS IN OPERATION, AT LEAST FIFTY-ONE PERCENT OF THE ENERGY  
15 PRODUCED MUST BE USED FOR SELF-CONSUMPTION IN THIS STATE. SELF-CONSUMPTION  
16 INCLUDES THE POWER USED BY RELATED ENTITIES IF THE RELATED ENTITIES ARE  
17 DIRECTLY OR INDIRECTLY UNDER THE SAME OWNERSHIP INTERESTS THAT COLLECTIVELY  
18 OWN MORE THAN FIFTY PERCENT. POWER THAT A RENEWABLE ENERGY FACILITY  
19 TRANSFERS TO A UTILITY QUALIFIES AS SELF-CONSUMPTION IF THE POWER IS  
20 TRANSFERRED BACK TO THE OWNER OF THE RENEWABLE ENERGY FACILITY FOR USE IN THE  
21 OWNER'S INTERNATIONAL OPERATIONS CENTER IN THIS STATE.

22 3. THE POWER THAT IS USED FOR SELF-CONSUMPTION UNDER PARAGRAPH 2 OF  
23 THIS SUBSECTION IS USED PRIMARILY FOR AN INTERNATIONAL OPERATIONS CENTER IN  
24 THIS STATE. A LESSOR OF AN INTERNATIONAL OPERATIONS CENTER FACILITY THAT  
25 USES POWER FOR SELF-CONSUMPTION UNDER PARAGRAPH 2 OF THIS SUBSECTION  
26 SATISFIES THE REQUIREMENTS OF THIS PARAGRAPH IF THE LESSEE IS AN  
27 INTERNATIONAL OPERATIONS CENTER AND THE POWER IS TRANSFERRED AS PART OF THE  
28 LEASE TO THE LESSEE.

29 ~~C.~~ D. Subject to subsection ~~F~~ G of this section, the credit  
30 authorized by this section is ~~one~~ FIVE million dollars per year for five  
31 years for each renewable energy facility. The maximum credit allowed per  
32 taxpayer per year is five million dollars REGARDLESS OF WHETHER THE TAXPAYER  
33 IS COMPRISED OF A SINGLE ENTITY OR MULTIPLE AFFILIATED ENTITIES. The initial  
34 credit for each facility is claimed in the year that the facility becomes  
35 operational. A credit, other than carryovers allowed under subsection ~~M~~ N  
36 of this section, may not be claimed for any taxable year beginning after  
37 December 31, 2025.

38 ~~D.~~ E. To qualify as a separate renewable energy facility for the  
39 purposes of this section, a facility must be located at least one mile from  
40 any other renewable energy facility for which the taxpayer is claiming a  
41 credit under this section.

42 ~~E.~~ F. To be eligible for the credit under this section, the taxpayer  
43 must apply to the department for certification of the credit on a form  
44 prescribed by the department. The application shall include:

1           1. The name, address and social security number or federal employer  
2 identification number of the applicant.

3           2. An estimate of the total investment the taxpayer will make, over a  
4 three-year period beginning on the date the application is received, in new  
5 renewable energy ~~production~~ facilities in this state that produce energy for  
6 self-consumption using renewable energy resources.

7           3. The expected location of each of the taxpayer's facilities that  
8 comprise the total investment in paragraph 2 of this subsection and the  
9 earliest date that each facility is expected to be operational.

10          4. A statement that ~~at least ninety per cent~~ THE PORTION of the power  
11 generated by each facility, AS REQUIRED BY SUBSECTION B, PARAGRAPH 2 OR  
12 SUBSECTION C, PARAGRAPH 2 OF THIS SECTION, shall be for self-consumption and  
13 shall be used for manufacturing OR INTERNATIONAL OPERATIONS CENTER USE.

14          5. Any additional information that the department requires.

15          ~~F.~~ G. The department shall review each application under subsection  
16 ~~E- F~~ of this section and preapprove the taxpayer for a specified amount of  
17 credit that is authorized. Credits are allowed under this section and  
18 section 43-1164.05 on a first come, first served basis. The department may  
19 not authorize tax credits under this section and section 43-1164.05 that  
20 exceed in the aggregate a total of ten million dollars for any calendar  
21 year. The portion of each year's limit that is reserved for each taxpayer  
22 must be based on the year that each credit is expected to be claimed using  
23 the dates provided in subsection ~~E- F~~, paragraph 3 of this section. If the  
24 year a facility is completed is different from the estimated completion date  
25 provided in subsection ~~E- F~~, paragraph 3 of this section, the taxpayer must  
26 amend the application with the new dates. If an application is received  
27 that, if authorized, would require the department to exceed the ten million  
28 dollar limit, the department shall grant the applicant only the remaining  
29 credit amount that would not exceed the ten million dollar limit. After the  
30 department authorizes ten million dollars in tax credits, the department  
31 shall deny any subsequent applications that are received for that calendar  
32 year. The department may not authorize any additional tax credits that  
33 exceed the ten million dollar limit even if the amounts that have been  
34 certified to any taxpayer are not claimed or a taxpayer otherwise fails to  
35 meet the requirements to claim the additional credit.

36          ~~G.~~ H. If a taxpayer fails to start construction within six months  
37 after submitting the application under subsection ~~E- F~~ of this section, the  
38 preapproval issued under subsection ~~F- G~~ of this section is void and all  
39 monies reserved from the limits specified in subsection ~~F- G~~ of this section  
40 revert back to the limit for the year for which they were reserved.

41          ~~H.~~ I. Each year after initial preapproval, on or before the  
42 anniversary date of the application specified in subsection ~~E- F~~ of this  
43 section, the taxpayer must submit to the department:

44           1. Documentation of the taxpayer's progress toward the ~~three hundred~~  
45 ~~million dollar~~ investment required by subsection B, paragraph 1 OR SUBSECTION

1 C, PARAGRAPH 1 of this section. This documentation is not required after the  
2 department receives a report stating that the ~~three hundred million dollar~~  
3 REQUIRED investment THRESHOLD has been reached.

4 2. Documentation for each facility that demonstrates that ~~at least~~  
5 ~~ninety per cent~~ THE REQUIRED PORTION of the power generated by each renewable  
6 energy facility is for self-consumption AS REQUIRED BY SUBSECTION B,  
7 PARAGRAPH 2 OR SUBSECTION C, PARAGRAPH 2 OF THIS SECTION.

8 3. CERTIFICATION FROM THE ARIZONA COMMERCE AUTHORITY PURSUANT TO  
9 SECTION 41-1520.

10 ~~I.~~ J. The taxpayer must submit a request for final certification to  
11 the department within thirty days after each of the renewable energy  
12 facilities for which an authorization was given under subsection ~~F~~ G of this  
13 section becomes operational. Within thirty days after receiving a completed  
14 request under this subsection, the department shall review the request and  
15 either issue a final certification of the credit to the taxpayer or issue a  
16 denial of the credit if it is determined that the requirements of this  
17 section have not been met. Every final certification issued under this  
18 subsection must include a facility code issued by the department that is  
19 unique to each facility. To show that the facility has been certified, the  
20 taxpayer shall include with the tax return the facility code for each  
21 facility for which a credit is claimed. IF THE TAXPAYER IS THE OWNER OR  
22 OPERATOR OF AN INTERNATIONAL OPERATIONS CENTER, THE TAXPAYER MUST SUBMIT  
23 ADDITIONAL EVIDENCE TO THE DEPARTMENT WITHIN SIXTY DAYS AFTER THE END OF THE  
24 FIFTH YEAR OF OPERATION OF THE FACILITY THAT THE REQUIREMENTS OF SUBSECTION  
25 C, PARAGRAPH 2 OF THIS SECTION HAVE BEEN MET.

26 ~~J.~~ K. If the taxpayer fails to make the required ~~three hundred~~  
27 ~~million dollar~~ investment within the time period required by subsection B,  
28 paragraph 1 OR SUBSECTION C, PARAGRAPH 1 of this section, OR IF THE  
29 CERTIFICATION OF THE INTERNATIONAL OPERATIONS CENTER HAS BEEN REVOKED UNDER  
30 SECTION 41-1520 OR IF THE FACILITY FAILS TO ACHIEVE FINAL CERTIFICATION UNDER  
31 SUBSECTION J OF THIS SECTION, the taxpayer must cease claiming any credits  
32 under this section, and ~~shall recapture any credits already claimed. The~~  
33 ~~recapture must be made on the taxpayer's income tax return for the tax year~~  
34 ~~in which it was first known that the required investment would not be made~~  
35 ~~within the required time~~ THE DEPARTMENT SHALL RECAPTURE FROM THE TAXPAYER THE  
36 AMOUNT OF ALL CREDITS CLAIMED UNDER THIS SECTION. IF THE RECAPTURE IS DUE TO  
37 REVOCATION OF THE CERTIFICATION OF AN INTERNATIONAL OPERATIONS CENTER, THE  
38 CREDITS SHALL BE RECAPTURED IN INVERSE PROPORTION TO THE TOTAL CAPITAL  
39 INVESTMENT MADE IN THE INTERNATIONAL OPERATIONS CENTER DIVIDED BY ONE BILLION  
40 TWO HUNDRED FIFTY MILLION DOLLARS. THE DEPARTMENT MAY GIVE SPECIAL  
41 CONSIDERATION OR ALLOW A TEMPORARY EXEMPTION FROM RECAPTURE IF THERE IS  
42 EXTRAORDINARY HARDSHIP DUE TO FACTORS BEYOND THE TAXPAYER'S CONTROL.

43 ~~K.~~ L. If a particular facility ceases to meet the requirements of  
44 this section or if the facility is sold, the taxpayer may not claim any  
45 future credits related to that facility.

1           ~~L~~ M. Co-owners of a business, including partners in a partnership,  
2 members of a limited liability company and shareholders of an S corporation  
3 as defined in section 1361 of the internal revenue code, may each claim the  
4 pro rata share of the credit allowed under this section based on ownership  
5 interest. The total of the credits allowed all the owners of the business  
6 may not exceed the amount that would have been allowed for a sole owner of  
7 the business.

8           ~~M~~ N. If the allowable tax credit for a taxpayer exceeds the taxes  
9 otherwise due under this title on the claimant's income, or if there are no  
10 taxes due under this title, the amount of the claim not used to offset taxes  
11 under this title may be carried forward for not more than five consecutive  
12 taxable years as a credit against subsequent years' income tax liability.

13           ~~N~~ O. A taxpayer may not claim a credit under this section and  
14 section 43-1083.02 regarding the same facilities.

15           ~~O~~ P. The department shall adopt rules and publish and prescribe  
16 forms and procedures as necessary to effectuate the purposes of this section.

17           ~~P~~ Q. For the purposes of this section:

18           1. "Biomass" means organic material that is available on a renewable  
19 or recurring basis, including:

20           (a) Forest-related materials, including mill residues, logging  
21 residues, forest thinnings, slash, brush, low-commercial value materials or  
22 undesirable species, salt cedar and other phreatophyte or woody vegetation  
23 removed from river basins or watersheds and woody material harvested for the  
24 purpose of forest fire fuel reduction or forest health and watershed  
25 improvement.

26           (b) Agricultural-related materials, including orchard trees, vineyard,  
27 grain or crop residues, including straws and stover, aquatic plants and  
28 agricultural processed coproducts and waste products, including fats, oils,  
29 greases, whey and lactose.

30           (c) Animal waste, including manure and slaughterhouse and other  
31 processing waste.

32           (d) Solid woody waste materials, including landscape or right-of-way  
33 tree trimmings, rangeland maintenance residues, waste pallets, crates and  
34 manufacturing, construction and demolition wood wastes but excluding  
35 pressure-treated, chemically treated or painted wood wastes and wood  
36 contaminated with plastic.

37           (e) Crops and trees planted for the purpose of being used to produce  
38 energy.

39           (f) Landfill gas, wastewater treatment gas and biosolids, including  
40 organic waste by-products generated during the wastewater treatment process.

41           2. "INTERNATIONAL OPERATIONS CENTER" MEANS A FACILITY THAT IS  
42 CERTIFIED BY THE ARIZONA COMMERCE AUTHORITY PURSUANT TO SECTION 41-1520.

43           ~~2~~ 3. "Renewable energy facility" means a facility in which the  
44 taxpayer invested at least thirty million dollars, that has at least twenty  
45 megawatts generating capacity or a minimum typical annual generation of forty

1 thousand megawatt hours, that is located on land in this state owned or  
2 leased by the taxpayer and that produces electricity using a ~~qualified~~  
3 **RENEWABLE** energy resource.

4 ~~3-~~ 4. "Renewable energy resource" means a resource that generates  
5 electricity through the use of only the following energy sources:

6 (a) Solar light.

7 (b) Solar heat.

8 (c) Wind.

9 (d) Biomass, including fuel cells supplied directly or indirectly with  
10 biomass generated fuels.

11 Sec. 6. Section 43-1164.05, Arizona Revised Statutes, is amended to  
12 read:

13 **43-1164.05. Credit for renewable energy investment and**  
14 **production for self-consumption by manufacturers**  
15 **and international operations centers; definitions**

16 A. A credit is allowed against the taxes imposed by this title for  
17 investment in new renewable energy facilities that produce energy for  
18 self-consumption using renewable energy resources if the power will be used  
19 primarily for manufacturing **OR FOR AN INTERNATIONAL OPERATIONS CENTER**.

20 B. **IF THE TAXPAYER USES THE POWER GENERATED BY THE RENEWABLE ENERGY**  
21 **FACILITY IN THE TAXPAYER'S MANUFACTURING FACILITY**, the taxpayer is eligible  
22 for the credit if all of the following apply:

23 1. The taxpayer invests at least three hundred million dollars in new  
24 renewable energy facilities in this state that produce energy for  
25 self-consumption using renewable energy resources. The minimum investment  
26 must be completed within a three-year period beginning on the date the  
27 initial application is received or December 31, 2017, whichever is earlier.

28 2. At least ninety ~~per cent~~ **PERCENT** of the energy produced at each  
29 renewable energy facility is used for self-consumption in this state.  
30 Self-consumption includes the power used by related entities if the related  
31 entities are owned directly or indirectly by the same ownership interests  
32 that collectively own more than fifty ~~per cent~~ **PERCENT**. A facility that  
33 transfers the power it generates to a utility qualifies under this paragraph  
34 if at least ninety ~~per cent~~ **PERCENT** of the power is transferred back for  
35 self-consumption in this state.

36 3. The power is used primarily for manufacturing. A lessor of a  
37 manufacturing facility that is using power for self-consumption under  
38 paragraph 2 of this subsection qualifies under this paragraph if the lessee  
39 is a manufacturer and the power is transferred as part of the lease to the  
40 lessee.

41 C. **IF THE TAXPAYER USES THE POWER GENERATED BY THE RENEWABLE ENERGY**  
42 **FACILITY IN THE TAXPAYER'S INTERNATIONAL OPERATIONS CENTER, THE TAXPAYER IS**  
43 **ELIGIBLE FOR THE CREDIT IF ALL OF THE FOLLOWING APPLY:**

44 1. **THE TAXPAYER INVESTS AT LEAST ONE HUNDRED MILLION DOLLARS IN A NEW**  
45 **RENEWABLE ENERGY FACILITY IN THIS STATE THAT PRODUCES ENERGY FOR**

1 SELF-CONSUMPTION USING RENEWABLE ENERGY RESOURCES. THE MINIMUM INVESTMENT  
2 MUST BE COMPLETED WITHIN A THREE-YEAR PERIOD BEGINNING ON THE DATE THE  
3 INITIAL APPLICATION IS RECEIVED OR DECEMBER 31, 2018, WHICHEVER IS EARLIER.

4 2. A PORTION OF THE ENERGY PRODUCED AT THE RENEWABLE ENERGY FACILITY  
5 IS USED FOR SELF-CONSUMPTION IN THIS STATE. BY THE FIFTH YEAR THE RENEWABLE  
6 ENERGY FACILITY IS IN OPERATION, AT LEAST FIFTY-ONE PERCENT OF THE ENERGY  
7 PRODUCED MUST BE USED FOR SELF-CONSUMPTION IN THIS STATE. SELF-CONSUMPTION  
8 INCLUDES THE POWER USED BY RELATED ENTITIES IF THE RELATED ENTITIES ARE  
9 DIRECTLY OR INDIRECTLY UNDER THE SAME OWNERSHIP INTERESTS THAT COLLECTIVELY  
10 OWN MORE THAN FIFTY PERCENT. POWER THAT A RENEWABLE ENERGY FACILITY  
11 TRANSFERS TO A UTILITY QUALIFIES AS SELF-CONSUMPTION IF THE POWER IS  
12 TRANSFERRED BACK TO THE OWNER OF THE RENEWABLE ENERGY FACILITY FOR USE IN THE  
13 OWNER'S INTERNATIONAL OPERATIONS CENTER IN THIS STATE.

14 3. THE POWER THAT IS USED FOR SELF-CONSUMPTION UNDER PARAGRAPH 2 OF  
15 THIS SUBSECTION IS USED PRIMARILY FOR AN INTERNATIONAL OPERATIONS CENTER IN  
16 THIS STATE. A LESSOR OF AN INTERNATIONAL OPERATIONS CENTER FACILITY THAT  
17 USES POWER FOR SELF-CONSUMPTION UNDER PARAGRAPH 2 OF THIS SUBSECTION  
18 SATISFIES THE REQUIREMENTS OF THIS PARAGRAPH IF THE LESSEE IS AN  
19 INTERNATIONAL OPERATIONS CENTER AND THE POWER IS TRANSFERRED AS PART OF THE  
20 LEASE TO THE LESSEE.

21 ~~C.~~ D. Subject to subsection ~~F.~~ G of this section, the credit  
22 authorized by this section is ~~one~~ FIVE million dollars per year for five  
23 years for each renewable energy facility. The maximum credit allowed per  
24 taxpayer per year is five million dollars REGARDLESS OF WHETHER THE TAXPAYER  
25 IS COMPRISED OF A SINGLE ENTITY OR MULTIPLE AFFILIATED ENTITIES. The initial  
26 credit for each facility is claimed in the year that the facility becomes  
27 operational. A credit, other than carryovers allowed under subsection ~~M.~~ N  
28 of this section, may not be claimed for any taxable year beginning after  
29 December 31, 2025.

30 ~~D.~~ E. To qualify as a separate renewable energy facility for the  
31 purposes of this section, a facility must be located at least one mile from  
32 any other renewable energy facility for which the taxpayer is claiming a  
33 credit under this section.

34 ~~E.~~ F. To be eligible for the credit under this section, the taxpayer  
35 must apply to the department for certification of the credit on a form  
36 prescribed by the department. The application shall include:

37 1. The name, address and social security number or federal employer  
38 identification number of the applicant.

39 2. An estimate of the total investment the taxpayer will make, over a  
40 three-year period beginning on the date the application is received, in new  
41 renewable energy ~~production~~ facilities in this state that produce energy for  
42 self-consumption using renewable energy resources.

43 3. The expected location of each of the taxpayer's facilities that  
44 comprise the total investment in paragraph 2 of this subsection and the  
45 earliest date that each facility is expected to be operational.

1           4. A statement that ~~at least ninety per cent~~ THE PORTION of the power  
2 generated by each facility, AS REQUIRED BY SUBSECTION B, PARAGRAPH 2 OR  
3 SUBSECTION C, PARAGRAPH 2 OF THIS SECTION, shall be for self-consumption and  
4 shall be used for manufacturing OR INTERNATIONAL OPERATIONS CENTER USE.

5           5. Any additional information that the department requires.

6           ~~F.~~ G. The department shall review each application under subsection  
7 ~~E- F~~ of this section and preapprove the taxpayer for a specified amount of  
8 credit that is authorized. Credits are allowed under this section and  
9 section 43-1083.04 on a first come, first served basis. The department may  
10 not authorize tax credits under this section and section 43-1083.04 that  
11 exceed in the aggregate a total of ten million dollars for any calendar year.

12           The portion of each year's limit that is reserved for each taxpayer must be  
13 based on the year that each credit is expected to be claimed using the dates  
14 provided in subsection ~~E- F~~, paragraph 3 of this section. If the year a  
15 facility is completed is different from the estimated completion date  
16 provided in subsection ~~E- F~~, paragraph 3 of this section, the taxpayer must  
17 amend the application with the new dates. If an application is received  
18 that, if authorized, would require the department to exceed the ten million  
19 dollar limit, the department shall grant the applicant only the remaining  
20 credit amount that would not exceed the ten million dollar limit. After the  
21 department authorizes ten million dollars in tax credits, the department  
22 shall deny any subsequent applications that are received for that calendar  
23 year. The department may not authorize any additional tax credits that  
24 exceed the ten million dollar limit even if the amounts that have been  
25 certified to any taxpayer are not claimed or a taxpayer otherwise fails to  
26 meet the requirements to claim the additional credit.

27           ~~G.~~ H. If a taxpayer fails to start construction within six months  
28 after submitting the application under subsection ~~E- F~~ of this section, the  
29 preapproval issued under subsection ~~F- G~~ of this section is void and all  
30 monies reserved from the limits specified in subsection ~~F- G~~ of this section  
31 revert back to the limit for the year for which they were reserved.

32           ~~H.~~ I. Each year after initial preapproval, on or before the  
33 anniversary date of the application specified in subsection ~~E- F~~ of this  
34 section, the taxpayer must submit to the department:

35           1. Documentation of the taxpayer's progress toward the ~~three hundred~~  
36 ~~million dollar~~ investment required by subsection B, paragraph 1 OR SUBSECTION  
37 C, PARAGRAPH 1 of this section. This documentation is not required after the  
38 department receives a report stating that the ~~three hundred million dollar~~  
39 ~~REQUIRED~~ investment THRESHOLD has been reached.

40           2. Documentation for each facility that demonstrates that ~~at least~~  
41 ~~ninety per cent~~ THE REQUIRED PORTION of the power generated by each renewable  
42 energy facility is for self-consumption AS REQUIRED BY SUBSECTION B,  
43 PARAGRAPH 2 OR SUBSECTION C, PARAGRAPH 2 OF THIS SECTION.

44           3. CERTIFICATION FROM THE ARIZONA COMMERCE AUTHORITY PURSUANT TO  
45 SECTION 41-1520.

1           ~~I.~~ J. The taxpayer must submit a request for final certification to  
2 the department within thirty days after each of the renewable energy  
3 facilities for which an authorization was given under subsection ~~F~~ G of this  
4 section becomes operational. Within thirty days after receiving a completed  
5 request under this subsection, the department shall review the request and  
6 either issue a final certification of the credit to the taxpayer or issue a  
7 denial of the credit if it is determined that the requirements of this  
8 section have not been met. Every final certification issued under this  
9 subsection must include a facility code issued by the department that is  
10 unique to each facility. To show that the facility has been certified, the  
11 taxpayer shall include with the tax return the facility code for each  
12 facility for which a credit is claimed. IF THE TAXPAYER IS THE OWNER OR  
13 OPERATOR OF AN INTERNATIONAL OPERATIONS CENTER, THE TAXPAYER MUST SUBMIT  
14 ADDITIONAL EVIDENCE TO THE DEPARTMENT WITHIN SIXTY DAYS AFTER THE END OF THE  
15 FIFTH YEAR OF OPERATION OF THE FACILITY THAT THE REQUIREMENTS OF SUBSECTION  
16 C, PARAGRAPH 2 OF THIS SECTION HAVE BEEN MET.

17           ~~J.~~ K. If the taxpayer fails to make the required ~~three hundred~~  
18 ~~million dollar~~ investment within the time period required by subsection B,  
19 paragraph 1 OR SUBSECTION C, PARAGRAPH 1 of this section, OR IF THE  
20 CERTIFICATION OF THE INTERNATIONAL OPERATIONS CENTER HAS BEEN REVOKED UNDER  
21 SECTION 41-1520 OR IF THE FACILITY FAILS TO ACHIEVE FINAL CERTIFICATION UNDER  
22 SUBSECTION J OF THIS SECTION, the taxpayer must cease claiming any credits  
23 under this section, and ~~shall recapture any credits already claimed. The~~  
24 ~~recapture must be made on the taxpayer's income tax return for the tax year~~  
25 ~~in which it was first known that the required investment would not be made~~  
26 ~~within the required time~~ THE DEPARTMENT SHALL RECAPTURE FROM THE TAXPAYER THE  
27 AMOUNT OF ALL CREDITS CLAIMED UNDER THIS SECTION. IF THE RECAPTURE IS DUE TO  
28 REVOCATION OF THE CERTIFICATION OF AN INTERNATIONAL OPERATIONS CENTER, THE  
29 CREDITS SHALL BE RECAPTURED IN INVERSE PROPORTION TO THE TOTAL CAPITAL  
30 INVESTMENT MADE IN THE INTERNATIONAL OPERATIONS CENTER DIVIDED BY ONE BILLION  
31 TWO HUNDRED FIFTY MILLION DOLLARS. THE DEPARTMENT MAY GIVE SPECIAL  
32 CONSIDERATION OR ALLOW A TEMPORARY EXEMPTION FROM RECAPTURE IF THERE IS  
33 EXTRAORDINARY HARDSHIP DUE TO FACTORS BEYOND THE TAXPAYER'S CONTROL.

34           ~~K.~~ L. If a particular facility ceases to meet the requirements of  
35 this section or if the facility is sold, the taxpayer may not claim any  
36 future credits related to that facility.

37           ~~L.~~ M. Co-owners of a business, including corporate partners in a  
38 partnership and members of a limited liability company, may each claim the  
39 pro rata share of the credit allowed under this section based on ownership  
40 interest. The total of the credits allowed all the owners of the business  
41 may not exceed the amount that would have been allowed for a sole owner of  
42 the business.

43           ~~M.~~ N. If the allowable tax credit for a taxpayer exceeds the taxes  
44 otherwise due under this title on the claimant's income, or if there are no  
45 taxes due under this title, the amount of the claim not used to offset taxes

1 under this title may be carried forward for not more than five consecutive  
2 taxable years as a credit against subsequent years' income tax liability.

3 ~~N.~~ O. A taxpayer may not claim a credit under this section and  
4 section 43-1164.03 regarding the same facilities.

5 ~~O.~~ P. The department shall adopt rules and publish and prescribe  
6 forms and procedures as necessary to effectuate the purposes of this section.

7 ~~P.~~ Q. For the purposes of this section:

8 1. "Biomass" means organic material that is available on a renewable  
9 or recurring basis, including:

10 (a) Forest-related materials, including mill residues, logging  
11 residues, forest thinnings, slash, brush, low-commercial value materials or  
12 undesirable species, salt cedar and other phreatophyte or woody vegetation  
13 removed from river basins or watersheds and woody material harvested for the  
14 purpose of forest fire fuel reduction or forest health and watershed  
15 improvement.

16 (b) Agricultural-related materials, including orchard trees, vineyard,  
17 grain or crop residues, including straws and stover, aquatic plants and  
18 agricultural processed coproducts and waste products, including fats, oils,  
19 greases, whey and lactose.

20 (c) Animal waste, including manure and slaughterhouse and other  
21 processing waste.

22 (d) Solid woody waste materials, including landscape or right-of-way  
23 tree trimmings, rangeland maintenance residues, waste pallets, crates and  
24 manufacturing, construction and demolition wood wastes but excluding  
25 pressure-treated, chemically treated or painted wood wastes and wood  
26 contaminated with plastic.

27 (e) Crops and trees planted for the purpose of being used to produce  
28 energy.

29 (f) Landfill gas, wastewater treatment gas and biosolids, including  
30 organic waste by-products generated during the wastewater treatment process.

31 2. "INTERNATIONAL OPERATIONS CENTER" MEANS A FACILITY THAT IS  
32 CERTIFIED BY THE ARIZONA COMMERCE AUTHORITY PURSUANT TO SECTION 41-1520.

33 ~~2.~~ 3. "Renewable energy facility" means a facility in which the  
34 taxpayer invested at least thirty million dollars, that has at least twenty  
35 megawatts generating capacity or a minimum typical annual generation of forty  
36 thousand megawatt hours, that is located on land in this state owned or  
37 leased by the taxpayer and that produces electricity using a ~~qualified~~  
38 RENEWABLE energy resource.

39 ~~3.~~ 4. "Renewable energy resource" means a resource that generates  
40 electricity through the use of only the following energy sources:

41 (a) Solar light.

42 (b) Solar heat.

43 (c) Wind.

44 (d) Biomass, including fuel cells supplied directly or indirectly with  
45 biomass generated fuels.