



# HOUSE OF REPRESENTATIVES

HB 2676

~~tax credit, title I schools~~

NOW: utilities; manufacturing; smelting; TPT

Prime Sponsor: Representative Rivero, LD 21

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**DP** Committee on Ways and Means

**DPA** Caucus and COW

**X** As Transmitted to the Governor

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## OVERVIEW

HB 2676 exempts the gross proceeds of sales or gross income derived from the sale of electricity or natural gas to a qualified manufacturing or smelting business from transaction privilege tax (TPT) and use tax.

## PROVISIONS

1. Exempts the gross proceeds of sales or gross income derived from the sale of electricity or natural gas to a qualified manufacturing or smelting business from utilities classification of TPT and use tax.
2. Requires a municipality to either tax or exempt in whole the gross proceeds of sales or gross income from sales by a utility to a qualified manufacturing or smelting business.
3. Requires a utility claiming a TPT or use tax exemption to report monthly, on a form provided by the Arizona Department of Revenue, the name and address of each qualified manufacturing or smelting business in which an exemption is taken.
4. Outlines the liability of a vendor that accepts a TPT exemption certificate in good faith.
5. Modifies definitions of *qualified manufacturing or smelting business* and *manufacturing*.
6. Contains an effective date of January 1, 2017, for the manufacturer's exemption.

## ADDITIONAL INFORMATION

Laws 2014, Chapter 7 created an exemption from use tax and TPT for the gross proceeds of sales or gross income derived from the sale of electricity and natural gas to a business engaged in manufacturing and smelting operation and that uses at least 51% of the electricity or natural gas in the manufacturing and smelting operations. TPT is imposed on a vendor for the privilege of conducting business in Arizona. Under this tax, the seller is responsible for remitting to the state the entire amount of tax due based on the gross proceeds or gross income of the business. While the tax is commonly passed on to the consumer at the point of sale, it is ultimately the seller's responsibility to remit the tax. TPT is broken down into 16 different classifications. The utilities classification is comprised of the business of: 1) producing and furnishing or furnishing to consumers natural or artificial gas and water; and 2) providing to retail electric customers ancillary services, electric distribution services and other services related to providing electricity (A.R.S. § 42-5063). Use tax is assessed on items purchased in other states and brought into Arizona for storage, use or consumption, and for which no tax has been paid in another state.