



# HOUSE OF REPRESENTATIVES

## SB 1505

tax exemption; natural gas delivery  
Prime Sponsor: Senator Worsley, LD 25

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**DP** Committee on Appropriations  
**DP** Caucus and COW  
**X** As Transmitted to the Governor

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### **OVERVIEW**

SB 1505 exempts gas transportation services from transaction privilege tax (TPT) and use tax unless the tax is levied by a city or town that chooses to tax electric or gas companies.

### **PROVISIONS**

1. Exempts gas transportation services from TPT and use tax.
2. Directs municipalities that levy a tax on electric or gas companies to either tax or exempt, in whole, gas transportation services.
3. Makes technical changes.

### **CURRENT LAW**

*Gas transportation services* are the services of transporting natural gas to a natural gas customer or a natural gas distribution facility if the natural gas was purchased from a supplier other than the utility ([A.R.S. § 42-5063](#)).

[A.R.S. § 42-5063 subsection C, paragraph 6](#) tax exempts the gross proceeds of sales or gross income derived from sales of electricity or natural gas from a business that is principally engaged in manufacturing or smelting operations and that uses at least 51% of the electricity or natural gas in the manufacturing or smelting operations. This statute does not currently apply to gas transportation services.

[A.R.S. § 42-5159 subsection G, paragraph 1](#) tax exempts the purchase price of electricity or natural gas by a business that is principally engaged in manufacturing or smelting operations and that uses at least 51% of the electricity or natural gas in the manufacturing or smelting operations. This statute does not currently apply to gas transportation services.

A city or town that levies a transaction privilege, sales, gross receipts, use, franchise or other similar fee or tax on businesses that produce, provide or furnish electricity, electric lights, current, power or natural gas must either tax or exempt the gross proceeds of sales or gross income from sales by businesses that use at least 51% of the electricity, electric lights, current, power or natural gas in a manufacturing or smelting operation located in that city or town. This statute does not currently apply to gas transportation services ([A.R.S. § 42-6012](#)).

### **ADDITIONAL INFORMATION**

According to a [Joint Legislative Budget Committee fiscal note](#), SB 1505 is estimated to reduce General Fund revenue by \$870,000 in Fiscal Year 2017.