

REFERENCE TITLE: use tax; individuals; repeal

State of Arizona
House of Representatives
Fiftieth Legislature
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2012

HB 2629

Introduced by
Representatives Lesko, Urie: Barton, Gowan, Harper, Pierce, Pratt, Senator
Murphy

AN ACT

AMENDING SECTIONS 42-5159, 42-5162 AND 43-321, ARIZONA REVISED STATUTES;
REPEALING SECTION 42-5169, ARIZONA REVISED STATUTES; RELATING TO USE TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 42-5159, Arizona Revised Statutes, is amended to
3 read:

4 42-5159. Exemptions

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

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

11 2. Tangible personal property the sale or use of which has already
12 been subjected to an excise tax at a rate equal to or exceeding the tax
13 imposed by this article under the laws of another state of the United States.
14 If the excise tax imposed by the other state is at a rate less than the tax
15 imposed by this article, the tax imposed by this article is reduced by the
16 amount of the tax already imposed by the other state.

17 3. Tangible personal property, the storage, use or consumption of
18 which the constitution or laws of the United States prohibit this state from
19 taxing or to the extent that the rate or imposition of tax is
20 unconstitutional under the laws of the United States.

21 4. Tangible personal property which directly enters into and becomes
22 an ingredient or component part of any manufactured, fabricated or processed
23 article, substance or commodity for sale in the regular course of business.

24 5. Motor vehicle fuel and use fuel, the sales, distribution or use of
25 which in this state is subject to the tax imposed under title 28, chapter 16,
26 article 1, use fuel which is sold to or used by a person holding a valid
27 single trip use fuel tax permit issued under section 28-5739, aviation fuel,
28 the sales, distribution or use of which in this state is subject to the tax
29 imposed under section 28-8344, and jet fuel, the sales, distribution or use
30 of which in this state is subject to the tax imposed under article 8 of this
31 chapter.

32 6. Tangible personal property brought into this state by an individual
33 ~~who was a nonresident at the time the property was purchased for storage, use~~
34 ~~or consumption by the individual if the first actual use or consumption of~~
35 ~~the property was outside this state~~, unless the property is EITHER:

36 (a) Used in conducting a business in this state.

37 (b) A MOTOR VEHICLE OR WATERCRAFT.

38 7. Purchases of implants used as growth promotants and injectable
39 medicines, not already exempt under paragraph 16 of this subsection, for
40 livestock and poultry owned by, or in possession of, persons who are engaged
41 in producing livestock, poultry, or livestock or poultry products, or who are
42 engaged in feeding livestock or poultry commercially. For the purposes of
43 this paragraph, "poultry" includes ratites.

44 8. Livestock, poultry, supplies, feed, salts, vitamins and other
45 additives for use or consumption in the businesses of farming, ranching and
46 feeding livestock or poultry, not including fertilizers, herbicides and

1 insecticides. For the purposes of this paragraph, "poultry" includes
2 ratites.

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

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

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

13 12. Materials that are purchased by or for publicly funded libraries
14 including school district libraries, charter school libraries, community
15 college libraries, state university libraries or federal, state, county or
16 municipal libraries for use by the public as follows:

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

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

19 13. Tangible personal property purchased by:

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

23 (b) A hospital operated by this state or a political subdivision of
24 this state.

25 (c) A licensed nursing care institution or a licensed residential care
26 institution or a residential care facility operated in conjunction with a
27 licensed nursing care institution or a licensed kidney dialysis center, which
28 provides medical services, nursing services or health related services and is
29 not used or held for profit.

30 (d) A qualifying health care organization, as defined in section
31 42-5001, if the tangible personal property is used by the organization solely
32 to provide health and medical related educational and charitable services.

33 (e) A qualifying health care organization as defined in section
34 42-5001 if the organization is dedicated to providing educational,
35 therapeutic, rehabilitative and family medical education training for blind,
36 visually impaired and multihandicapped children from the time of birth to age
37 twenty-one.

38 (f) A nonprofit charitable organization that has qualified under
39 section 501(c)(3) of the United States internal revenue code and that engages
40 in and uses such property exclusively in programs for mentally or physically
41 handicapped persons if the programs are exclusively for training, job
42 placement, rehabilitation or testing.

43 (g) A person that is subject to tax under article 1 of this chapter by
44 reason of being engaged in business classified under the prime contracting
45 classification under section 42-5075, or a subcontractor working under the

1 control of a prime contractor, if the tangible personal property is any of
2 the following:

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

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

7 (iii) Incorporated or fabricated by the person into any lake facility
8 development in a commercial enhancement reuse district under conditions
9 prescribed for the deduction allowed by section 42-5075, subsection B,
10 paragraph 8.

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

15 (i) A qualifying community health center as defined in section
16 42-5001.

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

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

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

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

38 15. Tangible personal property sold by:

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

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

- 1 (c) A nonprofit organization that is exempt from taxation under
2 section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the
3 internal revenue code if the organization sponsors or operates a rodeo
4 featuring primarily farm and ranch animals and no part of the organization's
5 net earnings inures to the benefit of any private shareholder or individual.
- 6 16. Drugs and medical oxygen, including delivery hose, mask or tent,
7 regulator and tank, on the prescription of a member of the medical, dental or
8 veterinarian profession who is licensed by law to administer such substances.
- 9 17. Prosthetic appliances, as defined in section 23-501, prescribed or
10 recommended by a person who is licensed, registered or otherwise
11 professionally credentialed as a physician, dentist, podiatrist,
12 chiropractor, naturopath, homeopath, nurse or optometrist.
- 13 18. Prescription eyeglasses and contact lenses.
- 14 19. Insulin, insulin syringes and glucose test strips.
- 15 20. Hearing aids as defined in section 36-1901.
- 16 21. Durable medical equipment which has a centers for medicare and
17 medicaid services common procedure code, is designated reimbursable by
18 medicare, is prescribed by a person who is licensed under title 32, chapter
19 7, 13, 17 or 29, can withstand repeated use, is primarily and customarily
20 used to serve a medical purpose, is generally not useful to a person in the
21 absence of illness or injury and is appropriate for use in the home.
- 22 22. Food, as provided in and subject to the conditions of article 3 of
23 this chapter and section 42-5074.
- 24 23. Items purchased with United States department of agriculture food
25 stamp coupons issued under the food stamp act of 1977 (P.L. 95-113; 91 Stat.
26 958) or food instruments issued under section 17 of the child nutrition act
27 (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42 United States Code
28 section 1786).
- 29 24. Food and drink provided without monetary charge by a taxpayer which
30 is subject to section 42-5074 to its employees for their own consumption on
31 the premises during the employees' hours of employment.
- 32 25. Tangible personal property that is used or consumed in a business
33 subject to section 42-5074 for human food, drink or condiment, whether
34 simple, mixed or compounded.
- 35 26. Food, drink or condiment and accessory tangible personal property
36 that are acquired for use by or provided to a school district or charter
37 school if they are to be either served or prepared and served to persons for
38 consumption on the premises of a public school in the school district or on
39 the premises of the charter school during school hours.
- 40 27. Lottery tickets or shares purchased pursuant to title 5, chapter 5,
41 article 1.
- 42 28. Textbooks, sold by a bookstore, that are required by any state
43 university or community college.
- 44 29. Magazines, other periodicals or other publications produced by this
45 state to encourage tourist travel.

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

4 31. Coal, petroleum, coke, natural gas, virgin fuel oil and electricity
5 purchased by a qualified environmental technology manufacturer, producer or
6 processor as defined in section 41-1514.02 and directly used or consumed in
7 the generation or provision of on-site power or energy solely for
8 environmental technology manufacturing, producing or processing or
9 environmental protection. This paragraph shall apply for twenty full
10 consecutive calendar or fiscal years from the date the first paper
11 manufacturing machine is placed in service. In the case of an environmental
12 technology manufacturer, producer or processor who does not manufacture
13 paper, the time period shall begin with the date the first manufacturing,
14 processing or production equipment is placed in service.

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

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

19 (b) Public educational institutions.

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

23 33. Natural gas or liquefied petroleum gas used to propel a motor
24 vehicle.

25 34. Machinery, equipment, technology or related supplies that are only
26 useful to assist a person who is physically disabled as defined in section
27 46-191, has a developmental disability as defined in section 36-551 or has a
28 head injury as defined in section 41-3201 to be more independent and
29 functional.

30 35. Liquid, solid or gaseous chemicals used in manufacturing,
31 processing, fabricating, mining, refining, metallurgical operations, research
32 and development and, beginning on January 1, 1999, printing, if using or
33 consuming the chemicals, alone or as part of an integrated system of
34 chemicals, involves direct contact with the materials from which the product
35 is produced for the purpose of causing or permitting a chemical or physical
36 change to occur in the materials as part of the production process. This
37 paragraph does not include chemicals that are used or consumed in activities
38 such as packaging, storage or transportation but does not affect any
39 exemption for such chemicals that is otherwise provided by this section. For
40 the purposes of this paragraph, "printing" means a commercial printing
41 operation and includes job printing, engraving, embossing, copying and
42 bookbinding.

43 36. Food, drink and condiment purchased for consumption within the
44 premises of any prison, jail or other institution under the jurisdiction of
45 the state department of corrections, the department of public safety, the
46 department of juvenile corrections or a county sheriff.

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

5 38. Tangible personal property which is or directly enters into and
6 becomes an ingredient or component part of cards used as prescription plan
7 identification cards.

8 39. Overhead materials or other tangible personal property that is used
9 in performing a contract between the United States government and a
10 manufacturer, modifier, assembler or repairer, including property used in
11 performing a subcontract with a government contractor who is a manufacturer,
12 modifier, assembler or repairer, to which title passes to the government
13 under the terms of the contract or subcontract. For the purposes of this
14 paragraph:

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

22 (b) "Subcontract" means an agreement between a contractor and any
23 person who is not an employee of the contractor for furnishing of supplies or
24 services that, in whole or in part, are necessary to the performance of one
25 or more government contracts, or under which any portion of the contractor's
26 obligation under one or more government contracts is performed, undertaken or
27 assumed, and that includes provisions causing title to overhead materials or
28 other tangible personal property used in the performance of the subcontract
29 to pass to the government or that includes provisions incorporating such
30 title passing clauses in a government contract into the subcontract.

31 40. Through December 31, 1994, tangible personal property sold pursuant
32 to a personal property liquidation transaction, as defined in section
33 42-5061. From and after December 31, 1994, tangible personal property sold
34 pursuant to a personal property liquidation transaction, as defined in
35 section 42-5061, if the gross proceeds of the sales were included in the
36 measure of the tax imposed by article 1 of this chapter or if the personal
37 property liquidation was a casual activity or transaction.

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

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

44 43. Tangible personal property purchased by a commercial airline and
45 consisting of food, beverages and condiments and accessories used for serving
46 the food and beverages, if those items are to be provided without additional

1 charge to passengers for consumption in flight. For the purposes of this
2 paragraph, "commercial airline" means a person holding a federal certificate
3 of public convenience and necessity or foreign air carrier permit for air
4 transportation to transport persons, property or United States mail in
5 intrastate, interstate or foreign commerce.

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

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

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

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

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

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

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

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

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

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

40 (b) "Curriculum design or enhancement" means planning, implementing or
41 reporting on courses of study, lessons, assignments or other learning
42 activities.

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

1 1. Machinery, or equipment, used directly in manufacturing,
2 processing, fabricating, job printing, refining or metallurgical operations.
3 The terms "manufacturing", "processing", "fabricating", "job printing",
4 "refining" and "metallurgical" as used in this paragraph refer to and include
5 those operations commonly understood within their ordinary meaning.
6 "Metallurgical operations" includes leaching, milling, precipitating,
7 smelting and refining.

8 2. Machinery, or equipment, used directly in the process of extracting
9 ores or minerals from the earth for commercial purposes, including equipment
10 required to prepare the materials for extraction and handling, loading or
11 transporting such extracted material to the surface. "Mining" includes
12 underground, surface and open pit operations for extracting ores and
13 minerals.

14 3. Tangible personal property sold to persons engaged in business
15 classified under the telecommunications classification under section 42-5064
16 and consisting of central office switching equipment, switchboards, private
17 branch exchange equipment, microwave radio equipment and carrier equipment
18 including optical fiber, coaxial cable and other transmission media which are
19 components of carrier systems.

20 4. Machinery, equipment or transmission lines used directly in
21 producing or transmitting electrical power, but not including distribution.
22 Transformers and control equipment used at transmission substation sites
23 constitute equipment used in producing or transmitting electrical power.

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

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

31 7. Aircraft, navigational and communication instruments and other
32 accessories and related equipment sold to:

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

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

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

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

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

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

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

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

21 (a) "New machinery and equipment" means machinery or equipment which
22 has never been sold at retail except pursuant to leases or rentals which do
23 not total two years or more.

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

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

38 15. Machinery and equipment that are purchased by or on behalf of the
39 owners of a soundstage complex and primarily used for motion picture,
40 multimedia or interactive video production in the complex. This paragraph
41 applies only if the initial construction of the soundstage complex begins
42 after June 30, 1996 and before January 1, 2002 and the machinery and
43 equipment are purchased before the expiration of five years after the start
44 of initial construction. For the purposes of this paragraph:

45 (a) "Motion picture, multimedia or interactive video production"
46 includes products for theatrical and television release, educational

1 presentations, electronic retailing, documentaries, music videos, industrial
2 films, CD-ROM, video game production, commercial advertising and television
3 episode production and other genres that are introduced through developing
4 technology.

5 (b) "Soundstage complex" means a facility of multiple stages including
6 production offices, construction shops and related areas, prop and costume
7 shops, storage areas, parking for production vehicles and areas that are
8 leased to businesses that complement the production needs and orientation of
9 the overall facility.

10 16. Tangible personal property that is used by either of the following
11 to receive, store, convert, produce, generate, decode, encode, control or
12 transmit telecommunications information:

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

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

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

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

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

31 17. Clean rooms that are used for manufacturing, processing,
32 fabrication or research and development, as defined in paragraph 14 of this
33 subsection, of semiconductor products. For the purposes of this paragraph,
34 "clean room" means all property that comprises or creates an environment
35 where humidity, temperature, particulate matter and contamination are
36 precisely controlled within specified parameters, without regard to whether
37 the property is actually contained within that environment or whether any of
38 the property is affixed to or incorporated into real property. Clean room:

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

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

1 18. Machinery and equipment that are used directly in the feeding of
2 poultry, the environmental control of housing for poultry, the movement of
3 eggs within a production and packaging facility or the sorting or cooling of
4 eggs. This exemption does not apply to vehicles used for transporting eggs.

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

15 20. Machinery and equipment that are used in the commercial production
16 of livestock, livestock products or agricultural, horticultural, viticultural
17 or floricultural crops or products in this state and that are used directly
18 and primarily to prevent, monitor, control or reduce air, water or land
19 pollution.

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

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

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

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

34 22. Qualifying equipment that is purchased from and after June 30, 2004
35 through June 30, 2014 by a qualified business under section 41-1516 for
36 harvesting or the initial processing of qualifying forest products removed
37 from qualifying projects as defined in section 41-1516. To qualify for this
38 exemption, the qualified business must obtain and present its certification
39 from the Arizona commerce authority at the time of purchase.

40 23. Machinery, equipment and other tangible personal property used
41 directly in motion picture production by a motion picture production company.
42 To qualify for this exemption, at the time of purchase, the motion picture
43 production company must present to the retailer its certificate that is
44 issued pursuant to section 42-5009, subsection H and that establishes its
45 qualification for the exemption.

1 C. The exemptions provided by subsection B of this section do not
2 include:

3 1. Expendable materials. For the purposes of this paragraph,
4 expendable materials do not include any of the categories of tangible
5 personal property specified in subsection B of this section regardless of the
6 cost or useful life of that property.

7 2. Janitorial equipment and hand tools.

8 3. Office equipment, furniture and supplies.

9 4. Tangible personal property used in selling or distributing
10 activities, other than the telecommunications transmissions described in
11 subsection B, paragraph 16 of this section.

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

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

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

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

21 1. Revenues received from sales of ancillary services, electric
22 distribution services, electric generation services, electric transmission
23 services and other services related to providing electricity to a retail
24 electric customer who is located outside this state for use outside this
25 state if the electricity is delivered to a point of sale outside this state.

26 2. Revenues received from providing electricity, including ancillary
27 services, electric distribution services, electric generation services,
28 electric transmission services and other services related to providing
29 electricity with respect to which the transaction privilege tax imposed under
30 section 42-5063 has been paid.

31 E. The tax levied by this article does not apply to:

32 1. The storage, use or consumption in Arizona of machinery, equipment,
33 materials or other tangible personal property if used directly and
34 predominantly to construct a qualified environmental technology
35 manufacturing, producing or processing facility, as described in section
36 41-1514.02. This paragraph applies for ten full consecutive calendar or
37 fiscal years after the start of initial construction.

38 2. The purchase of electricity by a qualified environmental technology
39 manufacturer, producer or processor as defined in section 41-1514.02 that is
40 used directly in environmental technology manufacturing, producing or
41 processing. This paragraph shall apply for twenty full consecutive calendar
42 or fiscal years from the date the first paper manufacturing machine is placed
43 in service. In the case of an environmental technology manufacturer,
44 producer or processor who does not manufacture paper, the time period shall
45 begin with the date the first manufacturing, processing or production
46 equipment is placed in service.

1 day of the month when due or if not received by the department on or before
2 the business day preceding the last business day of that month for those
3 taxpayers electing to file by mail, or are delinquent if not received by the
4 department on the business day preceding the last business day of the month
5 when due for those taxpayers electing to file in person.

6 B. The department ~~may~~, for any taxpayer whose estimated annual
7 liability for taxes imposed by this article is between five hundred and one
8 thousand two hundred fifty dollars, ~~MAY~~ authorize such taxpayer to pay such
9 taxes on a quarterly basis. The department ~~may~~, for any taxpayer whose
10 estimated annual liability for taxes imposed by this article is five hundred
11 dollars or less, ~~MAY~~ authorize such taxpayer to pay such taxes on an annual
12 basis.

13 C. For good cause shown the department may extend the time for making
14 a return and paying the tax, but the time for filing the return shall not be
15 extended beyond the first day of the third month next succeeding the regular
16 due date of the return.

17 Sec. 3. Repeal

18 Section ~~42-5169~~, Arizona Revised Statutes, is repealed.

19 Sec. 4. Section 43-321, Arizona Revised Statutes, is amended to read:
20 43-321. Information required in returns

21 Each return required to be filed under this title shall contain the
22 following:

23 1. It shall contain or be verified by a declaration that it is made
24 under penalties of perjury. The declaration shall be written or in a form
25 prescribed by the department pursuant to section 42-1105, subsection B.

26 2. A specific statement of the items of the taxpayer's gross income
27 and the adjustments, deductions and credits allowed by this title.

28 ~~3. A specific statement of the taxpayer's use tax liability pursuant~~
29 ~~to section 42-5169.~~

30 ~~4.~~ 3. Such other information as the department may by rule prescribe
31 for the purpose of carrying out the provisions of this title.

32 Sec. 5. Retroactivity

33 This act is effective retroactively to July 20, 2011.