

State of Arizona
House of Representatives
Fifty-first Legislature
Second Regular Session
2014

HOUSE BILL 2389

AN ACT

AMENDING SECTIONS 35-142, 41-132 AND 42-1125, ARIZONA REVISED STATUTES; AMENDING SECTION 42-2003, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 2; AMENDING SECTION 42-2075, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 4; AMENDING SECTION 42-5005, ARIZONA REVISED STATUTES; AMENDING SECTION 42-5009, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 40, SECTION 3; REPEALING SECTION 42-5009, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 5; AMENDING SECTION 42-5014, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 7; AMENDING SECTION 42-5015, ARIZONA REVISED STATUTES; AMENDING SECTION 42-5075, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, FIRST REGULAR SESSION, CHAPTER 153, SECTION 1 AND LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 9, SECTION 6; REPEALING SECTION 42-5075, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 15; AMENDING SECTION 42-6001, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 18; AMENDING SECTION 42-6002, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 19; AMENDING SECTION 42-6004, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, FIRST REGULAR SESSION, CHAPTER 27, SECTION 2, CHAPTER 120, SECTION 2, CHAPTER 153, SECTION 2 AND CHAPTER 236, SECTION 6 AND LAWS 2013, FIRST SPECIAL SESSION, CHAPTER 9, SECTION 8; REPEALING SECTION 42-6004, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 255, SECTION 20; REPEALING SECTIONS 42-6009 AND 42-6056, ARIZONA REVISED STATUTES; RELATING TO TRANSACTION PRIVILEGE TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 35-142, Arizona Revised Statutes, is amended to
3 read:

4 35-142. Monies kept in funds separate from state general fund;
5 receipt and withdrawal

6 A. All monies received for and belonging to the state shall be
7 deposited in the state treasury and credited to the state general fund except
8 the following, which shall be placed and retained in separate funds:

9 1. The unexpendable principal of monies received from federal land
10 grants shall be placed in separate funds and the account of each such
11 separate fund shall bear a title indicating the source and the institution or
12 purpose to which such fund belongs.

13 2. The interest, rentals and other expendable money received as income
14 from federal land grants shall be placed in separate accounts, each account
15 bearing a title indicating the source and the institution or purpose to which
16 the fund belongs. Such expendable monies shall be expended only as
17 authorized, regulated and controlled by the general appropriation act or
18 other act of the legislature.

19 3. All private or quasi-private monies authorized by law to be paid to
20 or held by the state treasurer shall be placed in separate accounts, each
21 account bearing a title indicating the source and purpose of such fund.

22 4. All monies legally pledged to retirement of building indebtedness
23 or bonds issued by those institutions authorized to incur such indebtedness
24 or to issue such bonds shall be placed in separate accounts.

25 5. Monies of a multi-county water conservation district authorized by
26 law to be paid to or held by the state treasurer shall be placed in separate
27 accounts, each account bearing a title indicating the source and purpose of
28 such fund.

29 6. All monies collected by the Arizona game and fish department shall
30 be deposited in a special fund known as the state game and fish protection
31 fund for the use of the Arizona game and fish commission in carrying out the
32 provisions of title 17.

33 7. All federal monies that are received by the department of economic
34 security for family assistance benefits and medical eligibility as a result
35 of efficiencies developed by the department of economic security and that
36 would otherwise revert to the state general fund pursuant to section 35-190
37 shall be retained for use by the department of economic security in
38 accordance with the terms and conditions imposed by the federal funding
39 source in an account or accounts established or authorized by the state
40 treasurer.

41 8. Monies designated by law as special state funds shall not be
42 considered a part of the general fund. Unless otherwise prescribed by law,
43 the state treasurer shall be the custodian of all such funds.

1 9. All monies received and any accounts established and maintained by
2 the director of the Arizona state retirement system or the administrator of
3 the public safety personnel retirement system, the corrections officer
4 retirement plan and the elected officials' retirement plan.

5 10. Monies received by a state agency or institution as a gift, devise
6 or donation shall not be considered a part of the state general fund or
7 transferred to the state general fund unless the gift, devise or donation
8 specifically authorizes a general state use for the monies. A state agency
9 or institution that receives a monetary gift, devise or donation shall
10 account for those monies separately.

11 B. No money shall be received or held by the state treasurer except as
12 authorized by law, and in every instance the treasurer shall issue a receipt
13 for money received and shall record the transaction in the statewide
14 accounting system. No money shall be withdrawn from the treasury except on
15 the warrant or electronic funds transfer voucher of the department of
16 administration.

17 C. Monies received for and belonging to the state and resulting from
18 compromises or settlements by or against this state, excluding restitution
19 and reimbursement to state agencies for costs or attorney fees, shall be
20 credited to the state general fund unless specifically credited to another
21 fund by law. A fund consisting of monies other than monies received for
22 restitution, costs or attorney fees shall not be established on the basis of
23 a court order without prior legislative authorization. For the purposes of
24 this subsection, "restitution" means monies intended to compensate a
25 specific, identifiable person, including this state, for economic loss.

26 D. All federal monies granted and paid to the state by the federal
27 government shall be accounted for in the accounts or funds of the state in
28 the necessary detail to meet federal and state accounting, budgetary and
29 auditing requirements, and all appropriations for matching such federal
30 monies shall be transferred from the general fund to such separate funds as
31 needed, except as otherwise required by the federal government.

32 E. Nothing in this section requires the establishment of separate
33 accounts or funds for such federal monies unless otherwise required by
34 federal or state law. The department of administration has the authority to
35 use the most efficient system of accounts and records, consistent with legal
36 requirements and standard and necessary fiscal safeguards.

37 F. Nothing in this section precludes the creation by the department of
38 administration of a clearing account or other acceptable accounting method to
39 effect prompt payment of claims from an approved budget or appropriation.
40 The department of administration shall report each account or fund
41 established or cancelled to the directors of the joint legislative budget
42 committee and the governor's office of strategic planning and budgeting.

43 G. Nothing in this section or any other section precludes the use of
44 monies kept in funds separate from the general fund, the interest from which
45 accrues to the general fund, for payment of claims against the general fund,

1 provided sufficient monies remain available for payment of claims against
2 such funds.

3 H. The department of administration may issue warrants for qualified
4 expenditures of federal program monies before they are deposited in the state
5 treasury. The receipt of federal monies shall be timed to coincide, as
6 closely as administratively feasible, with the redemption of warrants by the
7 state treasurer. The department of administration shall limit expenditures
8 to the amount that has been made available for the use under the grant award
9 by the federal government. The state agency initiating the expenditures is
10 responsible for ensuring that expenditures qualify for coverage under the
11 guidelines of the federal grant award.

12 I. The department of administration shall establish the policies and
13 procedures for all state agencies for drawing federal monies. When the
14 established method results in federal monies being held by this state, the
15 department of administration may use the interest earned on the monies to pay
16 the federal government for any related interest liability. If an interest
17 liability is incurred due to a state agency varying from the established
18 policies and procedures, the department of administration shall charge the
19 appropriate agency account or fund. Any federal interest liability owed to
20 this state as a result of the delayed federal disbursements shall be used to
21 offset this state's interest liability to the federal government. Any
22 remaining interest earnings shall be deposited in the state general fund.

23 J. Any state agency or authorized agent of a state agency may accept
24 credit cards pursuant to an agreement entered into by the state treasurer
25 pursuant to section 35-315 for the payment of any amount due to that agency
26 or agent or this state.

27 K. Except for the department of revenue ~~for tax payments~~, agencies or
28 authorized agents on behalf of state agencies that accept credit cards shall
29 deduct any applicable discount fee and processing fee associated with the
30 transaction amount before depositing the net amount in the appropriate state
31 fund. No other reduction is permitted against the transaction amount. The
32 net amount deposited in the appropriate state fund shall be considered as the
33 full deposit required by law of monies received by the agency or the
34 authorized agent. Payment of any applicable discount fee and processing fee
35 shall be accounted for in the annual report submitted to the governor's
36 office of strategic planning and budgeting in accordance with section
37 41-1273. The transaction amount of any credit card transaction shall not be
38 reduced by any discount fee or processing fee in an amount in excess of the
39 merchant card settlement fees reflected in the state banking contract with
40 the state treasurer's office.

41 L. Any state agency that contracts with an authorized agent for the
42 electronic processing of transactions pursuant to title 41, chapter 23 may
43 include a provision in the contract to allow the authorized agent to impose a
44 convenience fee. If allowed, the convenience fee shall be charged to the
45 cardholder in addition to the transaction amount, except for the following:

1 1. Except as provided in subsection S of this section, any permits,
2 licenses or other authorizations needed to pursue a trade or occupation in
3 this state.

4 2. Except as provided in subsection S of this section, any permits,
5 licenses or other authorizations needed to establish, expand or operate a
6 business in this state.

7 3. Except as provided in subsection S of this section, any permits,
8 licenses or other authorizations needed to register a vehicle or license a
9 driver in this state.

10 M. Each state agency or its authorized agent shall:

11 1. Deduct the amount of the convenience fee before depositing the
12 transaction amount or the transaction amount reduced by the discount fee or
13 the processing fee, or both, into the appropriate state fund.

14 2. Not deduct any part of the convenience fee from the transaction
15 amount before depositing the net amount into the appropriate state fund.

16 3. Deduct the amount of the discount fee or the processing fee, or
17 both, from the transaction amount before depositing the net amount into the
18 appropriate state fund.

19 N. The net amount deposited in the appropriate state fund pursuant to
20 subsection L or M of this section shall be considered as the full deposit of
21 monies that is required by law and that is received by the agency.

22 O. Notwithstanding section 35-142.01, convenience fees received by a
23 state agency or its authorized agent are limited to, and may be used to
24 offset, the costs imposed by the authorized agent in processing the
25 transactions.

26 P. When the percentage of electronic transactions first exceeds at
27 least thirty per cent of a state agency's total transactions, the state
28 agency shall perform a cost benefit report, including costs of convenience
29 fees, the amount of revenue generated and any realized cost savings.

30 Q. State agencies shall report the number of transactions, the number
31 of electronic transactions, the total dollar amount of transactions
32 processed, the total dollar amount of any discount fee, the total dollar
33 amount of any processing fee and the total dollar amount of any convenience
34 fee charged, deducted or paid pursuant to subsections K and L of this section
35 annually by October 1 to the governor, the department of administration and
36 the joint legislative budget committee.

37 R. Nothing in this section or any other provision of law authorizes
38 any state agency, authorized agent of any state agency or budget unit to
39 establish a bank account for any government monies. All monies received by
40 or on behalf of this state shall be deposited with and in the custody of the
41 state treasurer or in an account that is authorized by the state treasurer
42 pursuant to this section. This subsection does not apply to monies received
43 and any accounts established and maintained by the director of the Arizona
44 state retirement system or the administrator of the public safety personnel

1 retirement system, the corrections officer retirement plan and the elected
2 officials' retirement plan.

3 S. If a state agency provides an alternative method of payment, the
4 convenience fee may be charged to the cardholder in addition to the
5 transaction amount.

6 Sec. 2. Section 41-132, Arizona Revised Statutes, is amended to read:
7 41-132. Electronic and digital signatures; exemptions;
8 definitions

9 A. Unless otherwise provided by law, an electronic signature that
10 complies with this section may be used to sign a writing on a document that
11 is filed with or by a state agency, board or commission, and the electronic
12 signature has the same force and effect as a written signature.

13 B. An electronic signature shall be unique to the person using it,
14 shall be capable of reliable verification and shall be linked to a record in
15 a manner so that if the record is changed the electronic signature is
16 invalidated.

17 C. EXCEPT FOR RETURNS, STATEMENTS OR OTHER DOCUMENTS FILED PURSUANT TO
18 TITLES 42 AND 43, a document that contains an electronic signature that is a
19 digital signature shall comply with all of the following:

20 1. Contain a computer-based certificate that identifies the issuing
21 entity and the subscriber, contain the subscriber's public key and be
22 digitally signed by the issuing entity. A valid subscriber to a digitally
23 signed document shall be listed in the certificate, shall accept the
24 certificate and lawfully holds the private key that corresponds to the public
25 key that is listed in that certificate. A person who acquires a private key
26 through theft, fraud, deceit, eavesdropping or other unlawful means does not
27 lawfully hold the private key.

28 2. Contain a key pair used for verifying a digital signature that has
29 a unique property so that the public key can verify the digital signature
30 that the private key creates.

31 3. Be capable of verification by the person having the initial message
32 and the signer's public key as follows:

33 (a) The person can accurately determine whether the transformation of
34 the message was created by using the private key that corresponds to the
35 signer's key.

36 (b) The person can accurately determine whether the initial message
37 has been altered since the transformation was made.

38 D. The following records are not public records and are exempt from
39 public inspection and reproduction pursuant to title 39, chapter 1,
40 article 2:

41 1. Records containing information that would disclose or may
42 reasonably lead to the disclosure of any component in the process used to
43 execute or adopt an electronic or digital signature if the disclosure would
44 or may reasonably cause the loss of sole control over the electronic or
45 digital signature from the person using it.

1 2. Records that if disclosed would **JEOPARDIZE** or may reasonably lead
2 to jeopardizing the security of a certificate issued in conjunction with a
3 digital signature.

4 E. ~~It~~ **FOR THE PURPOSES OF** this section, unless the context otherwise
5 requires:

6 1. "Asymmetric cryptosystem" means an algorithm or series of
7 algorithms that provide a secure key pair for a digital signature.

8 2. "Certificate" means a computer-based record that is contained in a
9 document with a digital signature and that identifies the subscriber,
10 contains the subscriber's public key and is digitally signed by the entity
11 issuing the certificate.

12 3. "Digital signature" means a type of electronic signature that
13 transforms a message through the use of an asymmetric cryptosystem.

14 4. "Electronic signature" means an electronic or digital method of
15 identification that is executed or adopted by a person with the intent to be
16 bound by or to authenticate a record.

17 5. "Entity issuing a certificate" means a person who creates and
18 issues a certificate and notifies the subscriber listed in the certificate of
19 the contents of the certificate.

20 6. "Key pair" means a private key and its corresponding public key in
21 an asymmetric cryptosystem.

22 7. "Person" means a human being or an organization capable of signing
23 a document, either legally or as a matter of fact.

24 8. "Private key" means the key of a key pair that is used to create a
25 digital signature.

26 9. "Public key" means the key of a key pair that is used to verify a
27 digital signature.

28 10. "Record" means information that is inscribed in a tangible medium
29 or that is stored in an electronic or other medium and that is retrievable in
30 a physically perceivable form. Record includes electronic records and
31 printed, typewritten and tangible records.

32 11. "Subscriber" means a person who is the subject listed in a
33 certificate, accepts that certificate and holds a private key that
34 corresponds to a public key listed in that certificate.

35 12. "Transform" or "transform a message" means to subject data in a
36 message to a mathematical change by electronic means.

37 Sec. 3. Section 42-1125, Arizona Revised Statutes, is amended to read:
38 **42-1125. Civil penalties; definition**

39 A. If a taxpayer fails to make and file a return for a tax
40 administered pursuant to this article on or before the due date of the return
41 or the due date as extended by the department, unless it is shown that the
42 failure is due to reasonable cause and not due to wilful neglect, four and
43 one-half per cent of the tax required to be shown on such return shall be
44 added to the tax for each month or fraction of a month elapsing between the
45 due date of the return and the date on which it is filed. The total penalty

1 shall not exceed twenty-five per cent of the tax found to be remaining due.
2 The penalty so added to the tax is due and payable on notice and demand from
3 the department. For the purpose of computing the penalty imposed under this
4 subsection, the amount required to be shown as tax on a return shall be
5 reduced by the amount of any part of the tax which is paid on or before the
6 beginning of such month and by the amount of any credit against the tax which
7 may be claimed on the return. If the amount required to be shown as tax on a
8 return is less than the amount shown as tax on such return, the penalty
9 described in this subsection shall be applied by substituting such lower
10 amount.

11 B. If a taxpayer fails or refuses to file a return on notice and
12 demand by the department, the taxpayer shall pay a penalty of twenty-five per
13 cent of the tax, which is due and payable on notice and demand by the
14 department, in addition to any penalty prescribed by subsection A of this
15 section, unless it is shown that the failure is due to reasonable cause and
16 not due to wilful neglect. This penalty is payable on notice and demand from
17 the department.

18 C. If a taxpayer fails or refuses to furnish any information requested
19 in writing by the department, the department may add a penalty of twenty-five
20 per cent of the amount of any deficiency tax assessed by the department
21 concerning the assessment of which the information was required, unless it is
22 shown that the failure is due to reasonable cause and not due to wilful
23 neglect.

24 D. If a person fails to pay the amount shown as tax on any return
25 within the time prescribed, a penalty of one-half of one per cent, not to
26 exceed a total of ten per cent, shall be added to the amount shown as tax for
27 each month or fraction of a month during which the failure continues, unless
28 it is shown that the failure is due to reasonable cause and not due to wilful
29 neglect. If the department determines that the person's failure to pay was
30 due to reasonable cause and not due to wilful neglect and that a payment
31 agreement pursuant to section 42-2057 is appropriate, the department shall
32 not impose the penalty unless the taxpayer fails to comply with the payment
33 agreement. If the taxpayer is also subject to a penalty under subsection A
34 of this section for the same tax period, the total penalties under subsection
35 A of this section and this subsection shall not exceed twenty-five per cent.
36 For the purpose of computing the penalty imposed under this subsection:

37 1. The amount shown as tax on a return shall be reduced by the amount
38 of any part of the tax that is paid on or before the beginning of that month
39 and by the amount of any credit against the tax that may be claimed on the
40 return.

41 2. If the amount shown as tax on a return is greater than the amount
42 required to be shown as tax on that return, the penalty shall be applied by
43 substituting the lower amount.

1 E. If a person fails to pay any amount required to be shown on any
2 return that is not so shown within twenty-one calendar days after the date of
3 notice and demand, a penalty of one-half of one per cent, not to exceed a
4 total of ten per cent, shall be added to the amount of tax for each month or
5 fraction of a month during which the failure continues, unless it is shown
6 that the failure is due to reasonable cause and not due to wilful neglect.
7 If the taxpayer is also subject to penalty under subsection A of this section
8 for the same tax period, the total penalties under subsection A of this
9 section and this subsection shall not exceed twenty-five per cent. For the
10 purpose of computing the penalty imposed under this subsection, any amount
11 required to be shown on any return shall be reduced by the amount of any part
12 of the tax that is paid on or before the beginning of that month and by the
13 amount of any credit against the tax that may be claimed on the return.

14 F. In the case of a deficiency, for which a determination is made of
15 an additional amount due, which is due to negligence but without intent to
16 defraud, the person shall pay a penalty of ten per cent of the amount of the
17 deficiency.

18 G. If part of a deficiency is due to fraud with intent to evade tax,
19 fifty per cent of the total amount of the tax, in addition to the deficiency,
20 interest and other penalties provided in this section, shall be assessed,
21 collected and paid as if it were a deficiency.

22 H. If the amount, whether determined by the department or the
23 taxpayer, required to be withheld by the employer pursuant to title 43,
24 chapter 4 is not paid to the department on or before the date prescribed for
25 its remittance, the department may add a penalty of twenty-five per cent of
26 the amount required to be withheld and paid, unless it is shown that the
27 failure is due to reasonable cause and not due to wilful neglect.

28 I. A person who, with or without intent to evade any requirement of
29 this article or any lawful administrative rule of the department of revenue
30 under this article, fails to file a return or to supply information required
31 under this article or who, with or without such intent, makes, prepares,
32 renders, signs or verifies a false or fraudulent return or statement or
33 supplies false or fraudulent information shall pay a penalty of not more than
34 one thousand dollars. This penalty shall be recovered by the department of
35 law in the name of this state by an action in any court of competent
36 jurisdiction.

37 J. If the taxpayer files what purports to be a return of any tax
38 administered pursuant to this article but that is frivolous or that is made
39 with the intent to delay or impede the administration of the tax laws, that
40 person shall pay a penalty of five hundred dollars.

41 K. If a taxpayer who is required to file or provide an information
42 return under this title or title 43 fails to file the return at the
43 prescribed time or files a return that fails to show the information
44 required, that taxpayer shall pay a penalty of one hundred dollars for each
45 month or fraction of a month during which the failure continues unless it is

1 shown that the failure is due to reasonable cause and not due to wilful
2 neglect. The total penalties under this subsection shall not exceed five
3 hundred dollars.

4 L. If it appears to the superior court that proceedings before it have
5 been instituted or maintained by a taxpayer primarily for delay or that the
6 taxpayer's position is frivolous or groundless, the court may award damages
7 in an amount not to exceed one thousand dollars to this state. Damages so
8 awarded shall be collected as a part of the tax.

9 M. A person who is required under section 43-413 to furnish a
10 statement to an employee and who wilfully furnishes a false or fraudulent
11 statement, or who wilfully fails to furnish a statement required by section
12 43-413, is for each such failure subject to a penalty of fifty dollars.

13 N. A person who is required to collect or truthfully account for and
14 pay a tax administered pursuant to this article, including any luxury
15 privilege tax, and who wilfully fails to collect the tax or truthfully
16 account for and pay the tax, or wilfully attempts in any manner to evade or
17 defeat the tax or its payment, is, in addition to other penalties provided by
18 law, liable for a penalty equal to the total amount of the tax evaded, not
19 collected or not accounted for and paid. Except as provided in subsections
20 ~~T~~, U, V and ~~V~~ W of this section, no other penalty under this section
21 relating to failure to pay tax may be imposed for any offense to which this
22 subsection applies.

23 O. For reporting periods beginning from and after February 28, 2011,
24 if a taxpayer who is required under section 42-1129 to make payment by
25 electronic funds transfer fails to do so, that taxpayer shall pay a penalty
26 of five per cent of the amount of the payment not made by electronic funds
27 transfer unless it is shown that the failure is due to reasonable cause and
28 not due to wilful neglect.

29 P. Unless due to reasonable cause and not to wilful neglect:

30 1. A person who fails to provide that person's taxpayer identification
31 number in any return, statement or other document as required by section
32 42-1105, subsection A shall pay a penalty of five dollars for each such
33 failure.

34 2. A person, when filing any return, statement or other document for
35 compensation on behalf of a taxpayer, who fails to include that person's own
36 taxpayer identification number and the taxpayer's identification number shall
37 pay a penalty of fifty dollars for each such failure.

38 3. A person, when filing any return, statement or other document
39 without compensation on behalf of a taxpayer, who fails to include that
40 person's own taxpayer identification number and the taxpayer's identification
41 number is not subject to a penalty.

42 No other penalty under this section may be imposed if the only violation is
43 failure to provide taxpayer identification numbers.

44 Q. If a taxpayer fails to pay the full amount of estimated tax
45 required by title 43, chapter 5, article 6, a penalty is assessed equal to

1 the amount of interest that would otherwise accrue under section 42-1123 on
2 the amount not paid for the period of nonpayment, not exceeding ten per cent
3 of the amount not paid. The penalty prescribed by this subsection is in lieu
4 of any other penalty otherwise prescribed by this section and in lieu of
5 interest prescribed by section 42-1123.

6 ~~R.~~ **R.** BEGINNING JANUARY 1, 2015, IF A TAXPAYER CONTINUES IN BUSINESS
7 WITHOUT TIMELY RENEWING A MUNICIPAL PRIVILEGE TAX LICENSE AS PRESCRIBED IN
8 SECTION 42-5005, SUBSECTION D, A CIVIL PENALTY OF UP TO TWENTY-FIVE DOLLARS
9 SHALL BE ADDED TO THE RENEWAL FEE FOR EACH JURISDICTION.

10 ~~R.~~ **S.** The department of law, with the consent of the department of
11 revenue, may compromise any penalty for which it may bring an action under
12 this section.

13 ~~S.~~ **T.** Penalties shall not be assessed under subsection D of this
14 section on additional amounts of tax paid by a taxpayer at the time the
15 taxpayer voluntarily files an amended return. This subsection does not apply
16 if:

- 17 1. The taxpayer is under audit by the department.
- 18 2. The amended return was filed on demand or request by the
19 department.

20 3. The total additional tax paid and due for the tax period represents
21 a substantial understatement of tax liability. For the purposes of this
22 paragraph, there is a substantial understatement of tax for any tax period if
23 the amount of the understatement for the tax period exceeds the greater of
24 ten per cent of the actual tax liability for the tax period or two thousand
25 dollars.

26 ~~T.~~ **U.** In addition to other penalties provided by law, a person who
27 knowingly and intentionally does not comply with any requirement under
28 chapter 3, article 5 of this title relating to cigarettes shall pay a penalty
29 of one thousand dollars. A person who knowingly and intentionally does not
30 pay any luxury tax that relates to cigarettes imposed by chapter 3 of this
31 title shall pay a penalty that is equal to ten per cent of the amount of the
32 unpaid tax.

33 ~~U.~~ **V.** A cigarette manufacturer, cigarette importer or cigarette
34 distributor, as defined in section 42-3001, who knowingly and intentionally
35 sells or possesses cigarettes with false manufacturing labels or cigarettes
36 with counterfeit tax stamps, or who obtains cigarettes through the use of a
37 counterfeit license, shall pay the following penalties:

- 38 1. For a first violation involving two thousand or more cigarettes,
39 one thousand dollars.
- 40 2. For a subsequent violation involving two thousand or more
41 cigarettes, five thousand dollars.

42 ~~V.~~ **W.** The civil penalties in this section are in addition to any
43 civil penalty under chapter 3, article 5 of this title.

1 ~~W-~~ X. For the purposes of this section, and only as applied to the
2 taxes imposed by chapter 5, articles 1 through 6 and chapter 6, articles 1, 2
3 and 3 of this title, "reasonable cause" means a reasonable basis for the
4 taxpayer to believe that the tax did not apply to the business activity or
5 the storage, use or consumption of the taxpayer's tangible personal property
6 in this state.

7 Sec. 4. Section 42-2003, Arizona Revised Statutes, as amended by
8 Laws 2013, chapter 255, section 2, is amended to read:

9 42-2003. Authorized disclosure of confidential information

10 A. Confidential information relating to:

11 1. A taxpayer may be disclosed to the taxpayer, its successor in
12 interest or a designee of the taxpayer who is authorized in writing by the
13 taxpayer. A principal corporate officer of a parent corporation may execute
14 a written authorization for a controlled subsidiary.

15 2. A corporate taxpayer may be disclosed to any principal officer, any
16 person designated by a principal officer or any person designated in a
17 resolution by the corporate board of directors or other similar governing
18 body.

19 3. A partnership may be disclosed to any partner of the partnership.
20 This exception does not include disclosure of confidential information of a
21 particular partner unless otherwise authorized.

22 4. An estate may be disclosed to the personal representative of the
23 estate and to any heir, next of kin or beneficiary under the will of the
24 decedent if the department finds that the heir, next of kin or beneficiary
25 has a material interest which will be affected by the confidential
26 information.

27 5. A trust may be disclosed to the trustee or trustees, jointly or
28 separately, and to the grantor or any beneficiary of the trust if the
29 department finds that the grantor or beneficiary has a material interest that
30 will be affected by the confidential information.

31 6. Any taxpayer may be disclosed if the taxpayer has waived any rights
32 to confidentiality either in writing or on the record in any administrative
33 or judicial proceeding.

34 7. The name and taxpayer identification numbers of persons issued
35 direct payment permits may be publicly disclosed.

36 B. Confidential information may be disclosed to:

37 1. Any employee of the department whose official duties involve tax
38 administration.

39 2. The office of the attorney general solely for its use in
40 preparation for, or in an investigation that may result in, any proceeding
41 involving tax administration before the department or any other agency or
42 board of this state, or before any grand jury or any state or federal court.

43 3. The department of liquor licenses and control for its use in
44 determining whether a spirituous liquor licensee has paid all transaction
45 privilege taxes and affiliated excise taxes incurred as a result of the sale

1 of spirituous liquor, as defined in section 4-101, at the licensed
2 establishment and imposed on the licensed establishments by this state and
3 its political subdivisions.

4 4. Other state tax officials whose official duties require the
5 disclosure for proper tax administration purposes if the information is
6 sought in connection with an investigation or any other proceeding conducted
7 by the official. Any disclosure is limited to information of a taxpayer who
8 is being investigated or who is a party to a proceeding conducted by the
9 official.

10 5. The following agencies, officials and organizations, if they grant
11 substantially similar privileges to the department for the type of
12 information being sought, pursuant to statute and a written agreement between
13 the department and the foreign country, agency, state, Indian tribe or
14 organization:

15 (a) The United States internal revenue service, alcohol and tobacco
16 tax and trade bureau of the United States treasury, United States bureau of
17 alcohol, tobacco, firearms and explosives of the United States department of
18 justice, United States drug enforcement agency and federal bureau of
19 investigation.

20 (b) A state tax official of another state.

21 (c) An organization of states, federation of tax administrators or
22 multistate tax commission that operates an information exchange for tax
23 administration purposes.

24 (d) An agency, official or organization of a foreign country with
25 responsibilities that are comparable to those listed in subdivision (a), (b)
26 or (c) of this paragraph.

27 (e) An agency, official or organization of an Indian tribal government
28 with responsibilities comparable to the responsibilities of the agencies,
29 officials or organizations identified in subdivision (a), (b) or (c) of this
30 paragraph.

31 6. The auditor general, in connection with any audit of the department
32 subject to the restrictions in section 42-2002, subsection D.

33 7. Any person to the extent necessary for effective tax administration
34 in connection with:

35 (a) The processing, storage, transmission, destruction and
36 reproduction of the information.

37 (b) The programming, maintenance, repair, testing and procurement of
38 equipment for purposes of tax administration.

39 (c) The collection of the taxpayer's civil liability.

40 8. The office of administrative hearings relating to taxes
41 administered by the department pursuant to section 42-1101, but the
42 department shall not disclose any confidential information:

43 (a) Regarding income tax or withholding tax.

44 (b) On any tax issue relating to information associated with the
45 reporting of income tax or withholding tax.

1 9. The United States treasury inspector general for tax administration
2 for the purpose of reporting a violation of internal revenue code section
3 7213A (26 United States Code section 7213A), unauthorized inspection of
4 returns or return information.

5 10. The financial management service of the United States treasury
6 department for use in the treasury offset program.

7 11. The United States treasury department or its authorized agent for
8 use in the state income tax levy program and in the electronic federal tax
9 payment system.

10 12. The Arizona commerce authority for its use in:

11 (a) Qualifying renewable energy operations for the tax incentives
12 under sections 42-12006, 43-1083.01 and 43-1164.01.

13 (b) Qualifying businesses with a qualified facility for income tax
14 credits under sections 43-1083.03 and 43-1164.04.

15 (c) Fulfilling its annual reporting responsibility pursuant to section
16 41-1511, subsections U and V and section 41-1512, subsections U and V.

17 13. A prosecutor for purposes of section 32-1164, subsection C.

18 14. The state fire marshal for use in determining compliance with and
19 enforcing title 41, chapter 16, article 3.1.

20 15. The department of transportation for its use in administering taxes
21 and surcharges prescribed by title 28.

22 C. Confidential information may be disclosed in any state or federal
23 judicial or administrative proceeding pertaining to tax administration
24 pursuant to the following conditions:

25 1. One or more of the following circumstances must apply:

26 (a) The taxpayer is a party to the proceeding.

27 (b) The proceeding arose out of, or in connection with, determining
28 the taxpayer's civil or criminal liability, or the collection of the
29 taxpayer's civil liability, with respect to any tax imposed under this title
30 or title 43.

31 (c) The treatment of an item reflected on the taxpayer's return is
32 directly related to the resolution of an issue in the proceeding.

33 (d) Return information directly relates to a transactional
34 relationship between a person who is a party to the proceeding and the
35 taxpayer and directly affects the resolution of an issue in the proceeding.

36 2. Confidential information may not be disclosed under this subsection
37 if the disclosure is prohibited by section 42-2002, subsection C or D.

38 D. Identity information may be disclosed for purposes of notifying
39 persons entitled to tax refunds if the department is unable to locate the
40 persons after reasonable effort.

41 E. The department, on the request of any person, shall provide the
42 names and addresses of bingo licensees as defined in section 5-401, verify
43 whether or not a person has a privilege license and number, a distributor's
44 license and number or a withholding license and number or disclose the
45 information to be posted on the department's website or otherwise publicly

1 accessible pursuant to section 42-1124, subsection F and section 42-3201,
2 subsection A.

3 F. A department employee, in connection with the official duties
4 relating to any audit, collection activity or civil or criminal
5 investigation, may disclose return information to the extent that disclosure
6 is necessary to obtain information that is not otherwise reasonably
7 available. These official duties include the correct determination of and
8 liability for tax, the amount to be collected or the enforcement of other
9 state tax revenue laws.

10 G. If an organization is exempt from this state's income tax as
11 provided in section 43-1201 for any taxable year, the name and address of the
12 organization and the application filed by the organization on which the
13 department made its determination for exemption together with any papers
14 submitted in support of the application and any letter or document issued by
15 the department concerning the application are open to public inspection.

16 H. Confidential information relating to transaction privilege tax, use
17 tax, severance tax, jet fuel excise and use tax and any other tax collected
18 by the department on behalf of any jurisdiction may be disclosed to any
19 county, city or town tax official if the information relates to a taxpayer
20 who is or may be taxable by ~~the~~ A county, city or town or who may be subject
21 to audit by the department pursuant to section 42-6002. Any taxpayer
22 information released by the department to the county, city or town:

- 23 1. May only be used for internal purposes, including audits.
24 2. May not be disclosed to the public in any manner that does not
25 comply with confidentiality standards established by the department. The
26 county, city or town shall agree in writing with the department that any
27 release of confidential information that violates the confidentiality
28 standards adopted by the department will result in the immediate suspension
29 of any rights of the county, city or town to receive taxpayer information
30 under this subsection.

31 I. The department may disclose statistical information gathered from
32 confidential information if it does not disclose confidential information
33 attributable to any one taxpayer. The department may disclose statistical
34 information gathered from confidential information, even if it discloses
35 confidential information attributable to a taxpayer, to:

- 36 1. The state treasurer in order to comply with the requirements of
37 section 42-5029, subsection A, paragraph 3.
38 2. The joint legislative income tax credit review committee and the
39 joint legislative budget committee staff in order to comply with the
40 requirements of section 43-221.

41 J. The department may disclose the aggregate amounts of any tax
42 credit, tax deduction or tax exemption enacted after January 1, 1994.
43 Information subject to disclosure under this subsection shall not be
44 disclosed if a taxpayer demonstrates to the department that such information
45 would give an unfair advantage to competitors.

1 K. Except as provided in section 42-2002, subsection C, confidential
2 information, described in section 42-2001, paragraph 1, subdivision (a), item
3 (ii), may be disclosed to law enforcement agencies for law enforcement
4 purposes.

5 L. The department may provide transaction privilege tax license
6 information to property tax officials in a county for the purpose of
7 identification and verification of the tax status of commercial property.

8 M. The department may provide transaction privilege tax, luxury tax,
9 use tax, property tax and severance tax information to the ombudsman-citizens
10 aide pursuant to title 41, chapter 8, article 5.

11 N. Except as provided in section 42-2002, subsection D, a court may
12 order the department to disclose confidential information pertaining to a
13 party to an action. An order shall be made only upon a showing of good cause
14 and that the party seeking the information has made demand upon the taxpayer
15 for the information.

16 O. This section does not prohibit the disclosure by the department of
17 any information or documents submitted to the department by a bingo licensee.
18 Before disclosing the information the department shall obtain the name and
19 address of the person requesting the information.

20 P. If the department is required or permitted to disclose confidential
21 information, it may charge the person or agency requesting the information
22 for the reasonable cost of its services.

23 Q. Except as provided in section 42-2002, subsection D, the department
24 of revenue shall release confidential information as requested by the
25 department of economic security pursuant to section 42-1122 or 46-291.
26 Information disclosed under this subsection is limited to the same type of
27 information that the United States internal revenue service is authorized to
28 disclose under section 6103(1)(6) of the internal revenue code.

29 R. Except as provided in section 42-2002, subsection D, the department
30 of revenue shall release confidential information as requested by the courts
31 and clerks of the court pursuant to section 42-1122.

32 S. To comply with the requirements of section 42-5031, the department
33 may disclose to the state treasurer, to the county stadium district board of
34 directors and to any city or town tax official that is part of the county
35 stadium district confidential information attributable to a taxpayer's
36 business activity conducted in the county stadium district.

37 T. The department shall release confidential information as requested
38 by the attorney general for purposes of determining compliance with and
39 enforcing section 44-7101, the master settlement agreement referred to
40 therein and subsequent agreements to which the state is a party that amend or
41 implement the master settlement agreement. Information disclosed under this
42 subsection is limited to luxury tax information relating to tobacco
43 manufacturers, distributors, wholesalers and retailers and information
44 collected by the department pursuant to section 44-7101(2)(j).

1 U. For proceedings before the department, the office of administrative
2 hearings, the board of tax appeals or any state or federal court involving
3 penalties that were assessed against a return preparer, an electronic return
4 preparer or a payroll service company pursuant to section 42-1103.02,
5 42-1125.01 or 43-419, confidential information may be disclosed only before
6 the judge or administrative law judge adjudicating the proceeding, the
7 parties to the proceeding and the parties' representatives in the proceeding
8 prior to its introduction into evidence in the proceeding. The confidential
9 information may be introduced as evidence in the proceeding only if the
10 taxpayer's name, the names of any dependents listed on the return, all social
11 security numbers, the taxpayer's address, the taxpayer's signature and any
12 attachments containing any of the foregoing information are redacted and if
13 either:

14 1. The treatment of an item reflected on such return is or may be
15 related to the resolution of an issue in the proceeding.

16 2. Such return or return information relates or may relate to a
17 transactional relationship between a person who is a party to the proceeding
18 and the taxpayer which directly affects the resolution of an issue in the
19 proceeding.

20 3. The method of payment of the taxpayer's withholding tax liability
21 or the method of filing the taxpayer's withholding tax return is an issue for
22 the period.

23 V. The department may disclose to the attorney general confidential
24 information received under section 44-7111 and requested by the attorney
25 general for purposes of determining compliance with and enforcing section
26 44-7111. The department and attorney general shall share with each other the
27 information received under section 44-7111, and may share the information
28 with other federal, state or local agencies only for the purposes of
29 enforcement of section 36-798.06, 44-7101 or 44-7111 or corresponding laws of
30 other states.

31 W. The department may provide the name and address of qualifying
32 hospitals and qualifying health care organizations, as defined in section
33 42-5001, to a business classified and reporting transaction privilege tax
34 under the utilities classification.

35 X. The department may disclose to the attorney general confidential
36 information requested by the attorney general for the purposes of determining
37 compliance with and enforcing section 36-798.06.

38 Y. The department may disclose to an official of any city, town or
39 county in a current agreement or considering a prospective agreement with the
40 department as described in section 42-5032.02, subsection F any information
41 relating to amounts subject to distribution required by section 42-5032.02.
42 Information disclosed by the department under this subsection:

43 1. May only be used by the city, town or county for internal purposes.

44 2. May not be disclosed to the public in any manner that does not
45 comply with confidentiality standards established by the department. The

1 city, town or county must agree with the department in writing that any
2 release of confidential information that violates the confidentiality
3 standards will result in the immediate suspension of any rights of the city,
4 town or county to receive information under this subsection.

5 Sec. 5. Section 42-2075, Arizona Revised Statutes, as amended by
6 Laws 2013, chapter 255, section 4, is amended to read:

7 42-2075. Audit duration; definition

8 A. An audit of a taxpayer's return or claim for refund shall not
9 exceed two years from the date of initial audit contact to the issuance of a
10 notice of proposed deficiency assessment or proposed overpayment, except:

11 1. An audit of a fraudulent tax return.

12 2. An audit delayed as the result of the taxpayer's bankruptcy
13 proceeding.

14 3. An audit in which the department has issued a letter to the
15 taxpayer or the taxpayer's representative citing the potential imposition of
16 the penalty described in section 42-1125, subsection C for the taxpayer's
17 failure or refusal to provide information pursuant to the department's
18 written request.

19 4. An audit involving proceedings concerning the enforcement or
20 validity of a subpoena or subpoena duces tecum issued pursuant to section
21 42-1006, subsection C.

22 5. An audit involving a proceeding under section 42-2056.

23 6. An audit where a taxpayer has filed a petition pursuant to section
24 43-1148, but only in relation to the effect of the petition request.

25 7. An audit in which the taxpayer provides a written request to extend
26 the audit beyond the two-year period. A request for extension under this
27 paragraph is not a substitute for a waiver of the statute of limitations
28 pursuant to section 42-1104, subsection B, paragraph 9. However, a waiver of
29 the statute of limitations is considered to be a written request to extend
30 the audit beyond the two-year period under this paragraph.

31 B. This section applies to audits conducted by the department and to
32 audits conducted by the department and cities and towns pursuant to section
33 42-6002.

34 C. For the purposes of this section, "initial audit contact" means:

35 1. For a field audit, the date of the first meeting between the
36 taxpayer or the taxpayer's representative and a member of the department's
37 audit staff.

38 2. For a desk or office audit **OR A REVIEW CONDUCTED PURSUANT TO**
39 **SECTION 42-1109**, the date of the first letter to the taxpayer regarding the
40 audit **OR REVIEW**.

41 Sec. 6. Section 42-5005, Arizona Revised Statutes, is amended to read:

42 42-5005. Transaction privilege tax licenses; fees; renewal;
43 revocation; violation; classification

44 A. Every person who receives gross proceeds of sales or gross income
45 ~~upon~~ **ON** which a **TRANSACTION** privilege tax is imposed by this

1 article, ~~desiring~~ AND WHO DESIRES to engage or continue in business, ~~shall~~
2 ~~make application~~ APPLY to the department for a ~~AN ANNUAL TRANSACTION~~
3 privilege TAX license accompanied by a fee of twelve dollars. ~~Such licenses~~
4 ~~shall be effective indefinitely. Such~~ A person shall not engage or continue
5 in business until the person has obtained a TRANSACTION privilege TAX
6 license.

7 B. A PERSON DESIRING TO ENGAGE OR CONTINUE IN BUSINESS WITHIN A CITY
8 OR TOWN THAT IMPOSES A MUNICIPAL PRIVILEGE TAX SHALL APPLY TO THE DEPARTMENT
9 OF REVENUE FOR AN ANNUAL MUNICIPAL PRIVILEGE TAX LICENSE ACCOMPANIED BY A FEE
10 OF UP TO FIFTY DOLLARS. THE PERSON SHALL SUBMIT THE FEE, WHICH MUST BE
11 PRORATED, WITH EACH NEW LICENSE APPLICATION. THE PERSON MAY NOT ENGAGE OR
12 CONTINUE IN BUSINESS UNTIL THE PERSON HAS OBTAINED A MUNICIPAL PRIVILEGE TAX
13 LICENSE. THE DEPARTMENT MUST COLLECT, HOLD, PAY AND MANAGE THE FEES IN TRUST
14 FOR THE CITY OR TOWN AND MAY NOT USE THE MONIES FOR ANY OTHER PURPOSES.

15 C. A TRANSACTION PRIVILEGE TAX LICENSE IS VALID ONLY FOR THE CALENDAR
16 YEAR IN WHICH IT IS ISSUED, BUT IT MAY BE RENEWED FOR THE FOLLOWING CALENDAR
17 YEAR. THERE IS NO FEE FOR THE RENEWAL OF THE TRANSACTION PRIVILEGE TAX
18 LICENSE. THE TRANSACTION PRIVILEGE TAX LICENSE MUST BE RENEWED AT THE SAME
19 TIME AND IN THE MANNER AS THE MUNICIPAL PRIVILEGE TAX LICENSE RENEWAL.

20 D. A MUNICIPAL PRIVILEGE TAX LICENSE IS VALID ONLY FOR THE CALENDAR
21 YEAR IN WHICH IT IS ISSUED, BUT IT MAY BE RENEWED FOR THE FOLLOWING CALENDAR
22 YEAR BY THE PAYMENT OF A LICENSE RENEWAL FEE OF UP TO FIFTY DOLLARS. THE
23 RENEWAL FEE IS DUE AND PAYABLE ON JANUARY 1 AND IS CONSIDERED DELINQUENT IF
24 NOT RECEIVED ON OR BEFORE THE LAST BUSINESS DAY OF JANUARY. THE DEPARTMENT
25 MUST COLLECT, HOLD, PAY AND MANAGE THE FEES IN TRUST FOR THE CITY OR TOWN AND
26 MAY NOT USE THE MONIES FOR ANY OTHER PURPOSES.

27 E. A LICENSEE THAT REMAINS IN BUSINESS AFTER THE MUNICIPAL PRIVILEGE
28 TAX LICENSE HAS EXPIRED IS SUBJECT TO THE PAYMENT OF THE LICENSE RENEWAL FEE
29 AND THE CIVIL PENALTY PRESCRIBED IN SECTION 42-1125, SUBSECTION R.

30 ~~B-~~ F. If the applicant is not in arrears in payment of any tax
31 imposed by this article, the department shall issue a license authorizing the
32 applicant to engage and continue in ~~such~~ business, ~~upon~~ ON the condition that
33 the applicant complies with this article. The license number shall be
34 continuous.

35 ~~C-~~ G. The TRANSACTION privilege TAX license ~~shall not be~~ AND THE
36 MUNICIPAL PRIVILEGE TAX LICENSE ARE NOT transferable ~~upon~~ ON a change of
37 ownership or change of location of the business. For the purposes of this
38 subsection:

39 1. "Location" means the business address appearing in the application
40 for the license and on the TRANSACTION privilege TAX OR MUNICIPAL PRIVILEGE
41 TAX license.

42 2. "Ownership" means any right, title or interest in the business.

43 3. "Transferable" means the ability to convey or change the right or
44 privilege to engage or continue in business by virtue of the issuance of the
45 TRANSACTION privilege TAX OR MUNICIPAL PRIVILEGE TAX license.

1 ~~D.~~ H. When the ownership or location of a business ~~upon~~ ON which a
2 TRANSACTION privilege tax OR MUNICIPAL PRIVILEGE TAX is imposed ~~by this~~
3 ~~article~~ has been changed within the meaning of subsection ~~C~~ G of this
4 section, the licensee shall surrender the license to the department. The
5 license shall be reissued to the new owners or for the new location ~~upon~~ ON
6 application by the taxpayer and payment of the twelve-dollar fee FOR A
7 TRANSACTION PRIVILEGE TAX LICENSE AND A FEE OF UP TO FIFTY DOLLARS PER
8 JURISDICTION FOR A MUNICIPAL PRIVILEGE TAX LICENSE. THE DEPARTMENT MUST
9 COLLECT, HOLD, PAY AND MANAGE THE FEES IN TRUST FOR THE CITY OR TOWN AND MAY
10 NOT USE THE MONIES FOR ANY OTHER PURPOSES.

11 ~~E.~~ I. A person WHO IS engaged in or conducting a business in two or
12 more locations or under two or more business names shall procure a
13 TRANSACTION PRIVILEGE TAX license for each location or business name
14 REGARDLESS OF WHETHER ALL LOCATIONS OR BUSINESS NAMES ARE REPORTED ON A
15 CONSOLIDATED RETURN UNDER A SINGLE TRANSACTION PRIVILEGE TAX LICENSE NUMBER.
16 This requirement shall not be construed as conflicting with section 42-5020.

17 J. A PERSON WHO IS ENGAGED IN OR CONDUCTING A BUSINESS IN TWO OR MORE
18 LOCATIONS OR UNDER TWO OR MORE BUSINESS NAMES SHALL PROCURE A MUNICIPAL
19 PRIVILEGE TAX LICENSE FOR EACH LOCATION OR BUSINESS NAME REGARDLESS OF
20 WHETHER ALL LOCATIONS OR BUSINESS NAMES ARE REPORTED ON A CONSOLIDATED
21 RETURN.

22 K. A PERSON WHO IS ENGAGED IN OR CONDUCTING BUSINESS AT TWO OR MORE
23 LOCATIONS OR UNDER TWO OR MORE BUSINESS NAMES AND WHO FILES A CONSOLIDATED
24 RETURN UNDER A SINGLE TRANSACTION PRIVILEGE TAX LICENSE NUMBER AS PROVIDED BY
25 SECTION 42-5020 IS REQUIRED TO PAY ONLY A SINGLE MUNICIPAL PRIVILEGE TAX
26 LICENSE RENEWAL FEE FOR EACH LOCAL JURISDICTION PURSUANT TO SUBSECTION D OF
27 THIS SECTION. A PERSON WHO IS ENGAGED IN OR CONDUCTING BUSINESS AT TWO OR
28 MORE LOCATIONS OR UNDER TWO OR MORE BUSINESS NAMES AND WHO DOES NOT FILE A
29 CONSOLIDATED RETURN UNDER A SINGLE LICENSE NUMBER IS REQUIRED TO PAY A
30 LICENSE RENEWAL FEE FOR EACH LOCATION OR LICENSE IN A LOCAL JURISDICTION.

31 ~~F.~~ L. If a person violates this article or any rule adopted under
32 this article, the department upon hearing may revoke any TRANSACTION
33 privilege TAX OR MUNICIPAL PRIVILEGE TAX license issued to the person. The
34 department shall provide ten days' written notice of the hearing, stating the
35 time and place and requiring the person to appear and show cause why the
36 license or licenses should not be revoked. The department shall provide
37 written notice to the person of the revocation of the license. The notices
38 may be served personally or by mail pursuant to section 42-5037. After
39 revocation, the department shall not issue a new license to the person unless
40 the person presents evidence satisfactory to the department that the person
41 will comply with this article and with the rules adopted under this article.
42 The department may prescribe the terms under which a revoked license may be
43 reissued.

44 ~~G.~~ M. A person who violates any provision of this section is guilty
45 of a class 3 misdemeanor.

1 Sec. 7. Section 42-5009, Arizona Revised Statutes, as amended by Laws
2 2013, chapter 40, section 3, is amended to read:

3 42-5009. Certificates establishing deductions; liability for
4 making false certificate

5 A. A person who conducts any business classified under article 2 of
6 this chapter may establish entitlement to the allowable deductions from the
7 tax base of that business by both:

8 1. Marking the invoice for the transaction to indicate that the gross
9 proceeds of sales or gross income derived from the transaction was deducted
10 from the tax base.

11 2. Obtaining a certificate executed by the purchaser indicating the
12 name and address of the purchaser, the precise nature of the business of the
13 purchaser, the purpose for which the purchase was made, the necessary facts
14 to establish the appropriate deduction and the tax license number of the
15 purchaser to the extent the deduction depends on the purchaser conducting
16 business classified under article 2 of this chapter and a certification that
17 the person executing the certificate is authorized to do so on behalf of the
18 purchaser. The certificate may be disregarded if the seller has reason to
19 believe that the information contained in the certificate is not accurate or
20 complete.

21 B. A person who does not comply with subsection A of this section may
22 establish entitlement to the deduction by presenting facts necessary to
23 support the entitlement, but the burden of proof is on that person.

24 C. The department may prescribe a form for the certificate described
25 in subsection A of this section. Under such rules as it may prescribe, the
26 department may also describe transactions with respect to which a person is
27 not entitled to rely solely on the information contained in the certificate
28 provided for in subsection A of this section but must instead obtain such
29 additional information as required by the rules in order to be entitled to
30 the deduction.

31 D. If a seller is entitled to a deduction by complying with subsection
32 A of this section, the department may require the purchaser that caused the
33 execution of the certificate to establish the accuracy and completeness of
34 the information required to be contained in the certificate that would
35 entitle the seller to the deduction. If the purchaser cannot establish the
36 accuracy and completeness of the information, the purchaser is liable in an
37 amount equal to any tax, penalty and interest that the seller would have been
38 required to pay under this article if the seller had not complied with
39 subsection A of this section. Payment of the amount under this subsection
40 exempts the purchaser from liability for any tax imposed under article 4 of
41 this chapter. The amount shall be treated as tax revenues collected from the
42 seller in order to designate the distribution base for purposes of section
43 42-5029.

44 E. If a seller is entitled to a deduction by complying with subsection
45 B of this section, the department may require the purchaser to establish the

1 accuracy and completeness of the information provided to the seller that
2 entitled the seller to the deduction. If the purchaser cannot establish the
3 accuracy and completeness of the information, the purchaser is liable in an
4 amount equal to any tax, penalty and interest that the seller would have been
5 required to pay under this article if the seller had not complied with
6 subsection B of this section. Payment of the amount under this subsection
7 exempts the purchaser from liability for any tax imposed under article 4 of
8 this chapter. The amount shall be treated as tax revenues collected from the
9 seller in order to designate the distribution base for purposes of section
10 42-5029.

11 F. The department may prescribe a form for a certificate used to
12 establish entitlement to the deductions described in section 42-5061,
13 subsection A, paragraph ~~47~~ 46 and section 42-5063, subsection B, paragraph 3.
14 Under rules the department may prescribe, the department may also require
15 additional information for the seller to be entitled to the deduction. If a
16 seller is entitled to the deductions described in section 42-5061, subsection
17 A, paragraph ~~47~~ 46 and section 42-5063, subsection B, paragraph 3, the
18 department may require the purchaser who executed the certificate to
19 establish the accuracy and completeness of the information contained in the
20 certificate that would entitle the seller to the deduction. If the purchaser
21 cannot establish the accuracy and completeness of the information, the
22 purchaser is liable in an amount equal to any tax, penalty and interest that
23 the seller would have been required to pay under this article. Payment of
24 the amount under this subsection exempts the purchaser from liability for any
25 tax imposed under article 4 of this chapter. The amount shall be treated as
26 tax revenues collected from the seller in order to designate the distribution
27 base for purposes of section 42-5029.

28 G. If a seller claims a deduction under section 42-5061, subsection A,
29 paragraph 25 and establishes entitlement to the deduction with an exemption
30 letter that the purchaser received from the department and the exemption
31 letter was based on a contingent event, the department may require the
32 purchaser that received the exemption letter to establish the satisfaction of
33 the contingent event within a reasonable time. If the purchaser cannot
34 establish the satisfaction of the event, the purchaser is liable in an amount
35 equal to any tax, penalty and interest that the seller would have been
36 required to pay under this article if the seller had not been furnished the
37 exemption letter. Payment of the amount under this subsection exempts the
38 purchaser from liability for any tax imposed under article 4 of this chapter.
39 The amount shall be treated as tax revenues collected from the seller in
40 order to designate the distribution base for purposes of section 42-5029.
41 For the purposes of this subsection, "reasonable time" means a time
42 limitation that the department determines and that does not exceed the time
43 limitations pursuant to section 42-1104.

44 H. The department shall prescribe forms for certificates used to
45 establish the satisfaction of the criteria necessary to qualify the sale of a

1 motor vehicle for the deductions described in section 42-5061, subsection A,
2 paragraph 14, paragraph 28, subdivision (a) and paragraph ~~45~~ 44 and
3 subsection U. Except as provided in subsection J of this section, to
4 establish entitlement to these deductions, a motor vehicle dealer shall
5 retain:

6 1. A valid certificate as prescribed by this subsection completed by
7 the purchaser and obtained prior to the issuance of the nonresident
8 registration permit authorized by section 28-2154.

9 2. A copy of the nonresident registration permit authorized by section
10 28-2154.

11 3. A legible copy of a current valid driver license issued to the
12 purchaser by another state or foreign country that indicates an address
13 outside of this state. For the sale of a motor vehicle to a nonresident
14 entity, the entity's representative must have a current valid driver license
15 issued by the same jurisdiction as that in which the entity is located.

16 4. For the purposes of the deduction provided by section 42-5061,
17 subsection A, paragraph 14, a certificate documenting the delivery of the
18 motor vehicle to an out-of-state location.

19 I. Notwithstanding subsection A, paragraph 2 of this section, if a
20 motor vehicle dealer has established entitlement to a deduction by complying
21 with subsection H of this section, the department may require the purchaser
22 who executed the certificate to establish the accuracy and completeness of
23 the information contained in the certificate that entitled the motor vehicle
24 dealer to the deduction. If the purchaser cannot establish the accuracy and
25 completeness of the information, the purchaser is liable in an amount equal
26 to any tax, penalty and interest that the motor vehicle dealer would have
27 been required to pay under this article and under articles IV and V of the
28 model city tax code as defined in section 42-6051. Payment of the amount
29 under this subsection exempts the purchaser from liability for any tax
30 imposed under article 4 of this chapter and any tax imposed under article VI
31 of the model city tax code as defined in section 42-6051. The amount shall
32 be treated as tax revenues collected from the motor vehicle dealer in order
33 to designate the distribution base for purposes of section 42-5029.

34 J. To establish entitlement to the deduction described in section
35 42-5061, subsection A, paragraph 45, a public consignment auction dealer as
36 defined in section ~~28-4410.01~~ 28-4301 shall submit the valid certificate
37 prescribed by subsection H of this section to the department and retain a
38 copy for its records.

39 K. Notwithstanding any other law, compliance with subsection H of this
40 section by a motor vehicle dealer entitles the motor vehicle dealer to the
41 exemption provided in section 42-6004, subsection A, paragraph 4.

42 L. THE DEPARTMENT SHALL PRESCRIBE A FORM FOR A CERTIFICATE TO BE USED
43 BY A CONTRACTOR THAT IS NOT OTHERWISE SUBJECT TO TAX UNDER SECTION 42-5075,
44 SUBSECTION O WHEN PURCHASING TANGIBLE PERSONAL PROPERTY TO BE INCORPORATED OR
45 FABRICATED BY THE PERSON INTO ANY REAL PROPERTY, STRUCTURE, PROJECT,

1 DEVELOPMENT OR IMPROVEMENT TO PROVIDE DOCUMENTATION TO A RETAILER THAT THE
2 SALE OF TANGIBLE PERSONAL PROPERTY QUALIFIES FOR THE DEDUCTION UNDER SECTION
3 42-5061, SUBSECTION A, PARAGRAPH 27. A PRIME CONTRACTOR SHALL OBTAIN THE
4 CERTIFICATE FROM THE DEPARTMENT AND SHALL PROVIDE A COPY TO ANY CONTRACTOR
5 WORKING ON THE PROJECT THAT DOES NOT HAVE A TRANSACTION PRIVILEGE TAX LICENSE
6 BY REASON OF NOT BEING SUBJECT TO TAX UNDER SECTION 42-5075, SUBSECTION O.
7 THE PRIME CONTRACTOR SHALL OBTAIN A NEW CERTIFICATE FOR EACH PROJECT TO WHICH
8 THIS SUBSECTION APPLIES. FOR THE PURPOSES OF THIS SUBSECTION, THE FOLLOWING
9 APPLY:

10 1. THE CONTRACTOR MAY USE THE CERTIFICATE ISSUED PURSUANT TO THIS
11 SUBSECTION ONLY WITH RESPECT TO TANGIBLE PERSONAL PROPERTY THAT WILL BE
12 INCORPORATED INTO A PROJECT FOR WHICH THE GROSS RECEIPTS ARE SUBJECT TO TAX
13 UNDER SECTION 42-5075.

14 2. THE DEPARTMENT SHALL ISSUE THE CERTIFICATE TO THE PRIME CONTRACTOR
15 ON RECEIVING SUFFICIENT DOCUMENTATION TO ESTABLISH THAT THE PRIME CONTRACTOR
16 MEETS THE REQUIREMENTS OF THIS SUBSECTION.

17 3. IF A CONTRACTOR USES THE CERTIFICATE PROVIDED UNDER THIS SUBSECTION
18 TO PURCHASE TANGIBLE PERSONAL PROPERTY TO BE USED IN A NONTAXABLE CONTRACT,
19 THE CONTRACTOR IS LIABLE IN AN AMOUNT EQUAL TO ANY TAX, PENALTY AND INTEREST
20 THAT THE SELLER WOULD HAVE BEEN REQUIRED TO PAY UNDER THIS ARTICLE IF THE
21 SELLER HAD NOT COMPLIED WITH SUBSECTION A OF THIS SECTION. PAYMENT OF THE
22 AMOUNT UNDER THIS SECTION EXEMPTS THE CONTRACTOR FROM LIABILITY FOR ANY TAX
23 IMPOSED UNDER ARTICLE 4 OF THIS CHAPTER. THE AMOUNT SHALL BE TREATED AS TAX
24 REVENUES COLLECTED FROM THE SELLER IN ORDER TO DESIGNATE THE DISTRIBUTION
25 BASE FOR PURPOSES OF SECTION 42-5029.

26 M. NOTWITHSTANDING ANY OTHER LAW, COMPLIANCE WITH SUBSECTION L OF THIS
27 SECTION BY A CONTRACTOR ENTITLES THE CONTRACTOR PURCHASING TANGIBLE PERSONAL
28 PROPERTY TO BE INCORPORATED OR FABRICATED BY THE PERSON INTO ANY REAL
29 PROPERTY, STRUCTURE, PROJECT, DEVELOPMENT OR IMPROVEMENT TO THE EXEMPTION
30 PROVIDED IN SECTION 465, SUBSECTION (k) OF THE MODEL CITY TAX CODE.

31 Sec. 8. Repeal

32 Section 42-5009, Arizona Revised Statutes, as amended by Laws 2013,
33 chapter 255, section 5, is repealed.

34 Sec. 9. Section 42-5014, Arizona Revised Statutes, as amended by Laws
35 2013, chapter 255, section 7, is amended to read:

36 42-5014. Return and payment of tax; estimated tax; extensions;
37 abatements

38 A. Except as provided in subsection B, C or D of this section, the
39 taxes levied under this article:

40 1. Are due and payable monthly in the form required by section 42-5018
41 for the amount of the tax, to the department, on or before the twentieth day
42 of the month next succeeding the month in which the tax accrues.

43 2. Are delinquent as follows:

44 (a) For taxpayers ~~electing to~~ THAT file by mail, if not postmarked on
45 or before the twenty-fifth day of that month or if not received by the

1 department on or before the business day preceding the last business day of
2 the month.

3 (b) For taxpayers ~~electing~~ **THAT ARE REQUIRED OR ELECT** to file and pay
4 electronically in any month, if not received by the department on or before
5 the last business day of the month.

6 (c) For all other taxpayers, if not received by the department on or
7 before the business day preceding the last business day of the month.

8 B. The department, for any taxpayer whose estimated annual liability
9 for taxes imposed **OR ADMINISTERED** by this article, **OR CHAPTER 6 OF THIS TITLE**
10 is between five hundred dollars and one thousand two hundred fifty dollars,
11 may authorize such taxpayer to pay such taxes on a quarterly basis. The
12 department, for any taxpayer whose estimated annual liability for taxes
13 imposed by this article is five hundred dollars or less, may authorize such
14 taxpayer to pay such taxes on an annual basis.

15 C. The department may require a taxpayer whose business is of a
16 transient character to file the return and remit the taxes imposed by this
17 article on a daily, a weekly or a transaction by transaction basis, and those
18 returns and payments are due and payable on the date fixed by the department
19 without a grace period otherwise allowed by this section. For the purposes
20 of this subsection, "business of a transient character" means sales activity
21 by a taxpayer not regularly engaged in selling within the state conducted
22 from vehicles, portable stands, rented spaces, structures or booths, or
23 concessions at fairs, carnivals, circuses, festivals or similar activities
24 for not more than thirty consecutive days.

25 ~~D. In 2010, 2011 and 2012, if a business entity under which a taxpayer~~
26 ~~reports and pays income tax under title 43 has an annual total tax liability~~
27 ~~under this article, article 6 of this chapter and chapter 6, article 3 of~~
28 ~~this title in calendar year 2010, 2011 or 2012 of one hundred thousand~~
29 ~~dollars or more, based on the actual tax liability in calendar year 2009,~~
30 ~~2010 or 2011, regardless of the number of offices at which the taxes imposed~~
31 ~~by this article, article 6 of this chapter or chapter 6, article 3 of this~~
32 ~~title are collected, or if the taxpayer can reasonably anticipate such~~
33 ~~liability in calendar year 2010, 2011 or 2012, the taxpayer shall report on a~~
34 ~~form prescribed by the department and pay an estimated tax payment in June,~~
35 ~~2010, 2011 or 2012. Thereafter,~~ If the business entity under which a
36 taxpayer reports and pays income tax under title 43 has an annual total tax
37 liability under this article, article 6 of this chapter and chapter 6,
38 article 3 of this title of one million dollars or more, based on the actual
39 tax liability in the preceding calendar year, regardless of the number of
40 offices at which the taxes imposed by this article, article 6 of this chapter
41 or chapter 6, article 3 of this title are collected, or if the taxpayer can
42 reasonably anticipate such liability in the current year, the taxpayer shall
43 report on a form prescribed by the department and pay an estimated tax
44 payment each June. Any other taxpayer may voluntarily elect to pay the
45 estimated tax payment pursuant to this subsection. The payment shall be made

1 on or before June 20 and is delinquent if not postmarked on or before that
2 date or if not received by the department on or before the business day
3 preceding the last business day of June for those taxpayers electing to file
4 by mail, or delinquent if not received by the department on the business day
5 preceding the last business day of June for those taxpayers electing to file
6 in person. The estimated tax paid shall be credited against the taxpayer's
7 tax liability under this article, article 6 of this chapter and chapter 6,
8 article 3 of this title for the month of June for the current calendar year.
9 The estimated tax payment shall equal either:

10 1. One-half of the actual tax liability under this article plus
11 one-half of any tax liability under article 6 of this chapter and chapter 6,
12 article 3 of this title for May of the current calendar year.

13 2. The actual tax liability under this article plus any tax liability
14 under article 6 of this chapter and chapter 6, article 3 of this title for
15 the first fifteen days of June of the current calendar year.

16 E. The taxpayer shall prepare a return showing the amount of the tax
17 for which the taxpayer is liable for the preceding month, and shall mail or
18 deliver the return to the department in the same manner and time as
19 prescribed for the payment of taxes in subsection A of this section. If the
20 taxpayer fails to file the return in the manner and time as prescribed for
21 the payment of taxes in subsection A of this section, the amount of the tax
22 required to be shown on the return is subject to the penalty imposed pursuant
23 to section 42-1125, subsection A, without any reduction for taxes paid on or
24 before the due date of the return. The return shall be verified by the oath
25 of the taxpayer or an authorized agent or as prescribed by the department
26 pursuant to section 42-1105, subsection B.

27 F. Any person who is taxable under this article and who makes cash and
28 credit sales shall report such cash and credit sales separately and ~~upon~~ ON
29 making application may obtain from the department an extension of time for
30 payment of taxes due on the credit sales. The extension shall be granted by
31 the department under such rules as the department prescribes. When the
32 extension is granted, the taxpayer shall thereafter include in each monthly
33 report all collections made on such credit sales during the month next
34 preceding and shall pay the taxes due at the time of filing such report.

35 G. The returns required under this article shall be made ~~upon~~ ON forms
36 prescribed by the department and shall capture data with sufficient
37 specificity to meet the needs of all taxing jurisdictions.

38 H. ANY PERSON WHO IS ENGAGED IN OR CONDUCTING BUSINESS IN TWO OR MORE
39 LOCATIONS OR UNDER TWO OR MORE BUSINESS NAMES SHALL FILE THE RETURN REQUIRED
40 UNDER THIS ARTICLE BY ELECTRONIC MEANS.

41 ~~H-~~ I. The department, for good cause, may extend the time for making
42 any return required by this article and may grant such reasonable additional
43 time within which to make the return as it deems proper, but the time for
44 filing the return shall not be extended beyond the first day of the third
45 month next succeeding the regular due date of the return.

1 ~~I.~~ J. The department, with the approval of the attorney general, may
2 abate small tax balances if the administration costs exceed the amount of tax
3 due.

4 ~~J.~~ K. For the purposes of subsection D of this section, "taxpayer"
5 means the business entity under which the business reports and pays state
6 income taxes regardless of the number of offices at which the taxes imposed
7 by this article, article 6 of this chapter or chapter 6, article 3 of this
8 title are collected.

9 Sec. 10. Section 42-5015, Arizona Revised Statutes, is amended to
10 read:

11 42-5015. Filing by electronic means

12 On or before January 1, 2015, ~~the online portal prescribed by section~~
13 ~~42-6001 shall be modified so that~~ a taxpayer who is required to pay any
14 transaction privilege and affiliated excise taxes to this state or a county
15 or municipality may report and pay the required tax through ~~the online portal~~
16 ELECTRONIC MEANS. The ~~online portal~~ ELECTRONIC SYSTEM shall be administered
17 by the department of revenue. ~~The costs of the online portal shall be paid~~
18 ~~by~~ THE DEPARTMENT MAY ENTER INTO AN AGREEMENT WITH the cities and towns that
19 did not have an intergovernmental contract or agreement in effect as of
20 January 1, 2013 with the department to provide for unified or coordinated
21 licensing, collection and auditing programs FOR THE CITIES AND TOWNS TO
22 CONTRIBUTE TO THE PAYMENT OF THE ELECTRONIC SYSTEM THROUGH MONEY OR
23 RESOURCES. The ~~expanded online portal~~ ELECTRONIC SYSTEM shall:

24 1. Include a single point for licensing, filing a single return and
25 paying transaction privilege and affiliated excise taxes for all state,
26 county and municipal taxing jurisdictions.

27 2. Consolidate data in a manner compatible with the data systems of
28 the department of revenue.

29 3. Capture data with sufficient specificity to meet the needs of the
30 taxing jurisdictions.

31 4. Allow for identification of the correct taxing jurisdictions and
32 tax rates based on the place where the transaction is sourced.

33 Sec. 11. Section 42-5075, Arizona Revised Statutes, as amended by Laws
34 2013, first regular session, chapter 153, section 1 and Laws 2013, first
35 special session, chapter 9, section 6, is amended to read:

36 42-5075. Prime contracting classification; exemptions;
37 definitions

38 A. The prime contracting classification is comprised of the business
39 of prime contracting and dealership of manufactured buildings. Sales for
40 resale to another dealership of manufactured buildings are not subject to
41 tax. Sales for resale do not include sales to a lessor of manufactured
42 buildings. The sale of a used manufactured building is not taxable under
43 this chapter. The proceeds from alteration and repairs to a used
44 manufactured building are taxable under this section.

1 B. The tax base for the prime contracting classification is sixty-five
2 per cent of the gross proceeds of sales or gross income derived from the
3 business. The following amounts shall be deducted from the gross proceeds of
4 sales or gross income before computing the tax base:

5 1. The sales price of land, which shall not exceed the fair market
6 value.

7 2. Sales and installation of groundwater measuring devices required
8 under section 45-604 and groundwater monitoring wells required by law,
9 including monitoring wells installed for acquiring information for a permit
10 required by law.

11 3. The sales price of furniture, furnishings, fixtures, appliances and
12 attachments that are not incorporated as component parts of or attached to a
13 manufactured building or the setup site. The sale of such items may be
14 subject to the taxes imposed by article 1 of this chapter separately and
15 distinctly from the sale of the manufactured building.

16 4. The gross proceeds of sales or gross income received from a
17 contract entered into for the construction, ~~alteration, repair,~~ addition,
18 subtraction, improvement, movement, wrecking or demolition of any building,
19 highway, road, railroad, excavation, manufactured building or other
20 structure, project, development or improvement located in a military reuse
21 zone for providing aviation or aerospace services or for a manufacturer,
22 assembler or fabricator of aviation or aerospace products within an active
23 military reuse zone after the zone is initially established or renewed under
24 section 41-1531. To be eligible to qualify for this deduction, before
25 beginning work under the contract, the prime contractor must have applied for
26 a letter of qualification from the department of revenue.

27 5. The gross proceeds of sales or gross income derived from a contract
28 to construct a qualified environmental technology manufacturing, producing or
29 processing facility, as described in section 41-1514.02, and from subsequent
30 construction and installation contracts that begin within ten years after the
31 start of initial construction. To qualify for this deduction, before
32 beginning work under the contract, the prime contractor must obtain a letter
33 of qualification from the department of revenue. This paragraph shall apply
34 for ten full consecutive calendar or fiscal years after the start of initial
35 construction.

36 6. The gross proceeds of sales or gross income from a contract to
37 provide for one or more of the following actions, or a contract for site
38 preparation, constructing, furnishing or installing machinery, equipment or
39 other tangible personal property, including structures necessary to protect
40 exempt incorporated materials or installed machinery or equipment, and
41 tangible personal property incorporated into the project, to perform one or
42 more of the following actions in response to a release or suspected release
43 of a hazardous substance, pollutant or contaminant from a facility to the
44 environment, unless the release was authorized by a permit issued by a
45 governmental authority:

1 (a) Actions to monitor, assess and evaluate such a release or a
2 suspected release.

3 (b) Excavation, removal and transportation of contaminated soil and
4 its treatment or disposal.

5 (c) Treatment of contaminated soil by vapor extraction, chemical or
6 physical stabilization, soil washing or biological treatment to reduce the
7 concentration, toxicity or mobility of a contaminant.

8 (d) Pumping and treatment or in situ treatment of contaminated
9 groundwater or surface water to reduce the concentration or toxicity of a
10 contaminant.

11 (e) The installation of structures, such as cutoff walls or caps, to
12 contain contaminants present in groundwater or soil and prevent them from
13 reaching a location where they could threaten human health or welfare or the
14 environment.

15 This paragraph does not include asbestos removal or the construction or use
16 of ancillary structures such as maintenance sheds, offices or storage
17 facilities for unattached equipment, pollution control equipment, facilities
18 or other control items required or to be used by a person to prevent or
19 control contamination before it reaches the environment.

20 7. The gross proceeds of sales or gross income that is derived from a
21 contract for the installation, assembly, repair or maintenance of machinery,
22 equipment or other tangible personal property that is either deducted from
23 the tax base of the retail classification under section 42-5061, subsection B
24 or that is exempt from use tax under section 42-5159, subsection B and that
25 has independent functional utility, pursuant to the following provisions:

26 (a) The deduction provided in this paragraph includes the gross
27 proceeds of sales or gross income derived from all of the following:

28 (i) Any activity performed on machinery, equipment or other tangible
29 personal property with independent functional utility.

30 (ii) Any activity performed on any tangible personal property relating
31 to machinery, equipment or other tangible personal property with independent
32 functional utility in furtherance of any of the purposes provided for under
33 subdivision (d) of this paragraph.

34 (iii) Any activity that is related to the activities described in
35 ~~subdivision (a),~~ items (i) and (ii) of this ~~paragraph~~ **SUBDIVISION**,
36 including, ~~but not limited to,~~ inspecting the installation of, ~~or testing,~~
37 the machinery, equipment or other tangible personal property.

38 (b) The deduction provided in this paragraph does not include gross
39 proceeds of sales or gross income from the portion of any contracting
40 activity that consists of the development of, or modification to, real
41 property in order to facilitate the installation, assembly, repair,
42 maintenance or removal of machinery, equipment or other tangible personal
43 property that is either deducted from the tax base of the retail
44 classification under section 42-5061, subsection B or exempt from use tax
45 under section 42-5159, subsection B.

1 (c) The deduction provided in this paragraph shall be determined
2 without regard to the size or useful life of the machinery, equipment or
3 other tangible personal property.

4 (d) For the purposes of this paragraph, "independent functional
5 utility" means that the machinery, equipment or other tangible personal
6 property can independently perform its function without attachment to real
7 property, other than attachment for any of the following purposes:

8 (i) Assembling the machinery, equipment or other tangible personal
9 property.

10 (ii) Connecting items of machinery, equipment or other tangible
11 personal property to each other.

12 (iii) Connecting the machinery, equipment or other tangible personal
13 property, whether as an individual item or as a system of items, to water,
14 power, gas, communication or other services.

15 (iv) Stabilizing or protecting the machinery, equipment or other
16 tangible personal property during operation by bolting, burying or performing
17 other similar nonpermanent connections to either real property or real
18 property improvements.

19 8. The gross proceeds of sales or gross income attributable to the
20 purchase of machinery, equipment or other tangible personal property that is
21 exempt from or deductible from transaction privilege and use tax under:

22 (a) Section 42-5061, subsection A, paragraph 25, 29 or 59.

23 (b) Section 42-5061, subsection B.

24 (c) Section 42-5159, subsection A, paragraph 13, subdivision (a), (b),
25 (c), (d), (e), (f), (i), (j) or (l) or paragraph 54.

26 (d) Section 42-5159, subsection B.

27 9. The gross proceeds of sales or gross income received from a
28 contract for the construction of an environmentally controlled facility for
29 the raising of poultry for the production of eggs and the sorting, cooling
30 and packaging of eggs.

31 10. The gross proceeds of sales or gross income that is derived from a
32 contract entered into with a person who is engaged in the commercial
33 production of livestock, livestock products or agricultural, horticultural,
34 viticultural or floricultural crops or products in this state for the
35 construction, alteration, repair, improvement, movement, wrecking or
36 demolition or addition to or subtraction from any building, highway, road,
37 excavation, manufactured building or other structure, project, development or
38 improvement used directly and primarily to prevent, monitor, control or
39 reduce air, water or land pollution.

40 11. The gross proceeds of sales or gross income that is derived from
41 the installation, assembly, repair or maintenance of clean rooms that are
42 deducted from the tax base of the retail classification pursuant to section
43 42-5061, subsection B, paragraph 16.

44 12. For taxable periods beginning from and after June 30, 2001, the
45 gross proceeds of sales or gross income derived from a contract entered into

1 for the construction of a residential apartment housing facility that
2 qualifies for a federal housing subsidy for low income persons over sixty-two
3 years of age and that is owned by a nonprofit charitable organization that
4 has qualified under section 501(c)(3) of the internal revenue code.

5 13. For taxable periods beginning from and after December 31, 1996 and
6 ending before January 1, 2017, the gross proceeds of sales or gross income
7 derived from a contract to provide and install a solar energy device. The
8 contractor shall register with the department as a solar energy contractor.
9 By registering, the contractor acknowledges that it will make its books and
10 records relating to sales of solar energy devices available to the department
11 for examination.

12 14. The gross proceeds of sales or gross income derived from a contract
13 entered into for the construction of a launch site, as defined in 14 Code of
14 Federal Regulations section 401.5.

15 15. The gross proceeds of sales or gross income derived from a contract
16 entered into for the construction of a domestic violence shelter that is
17 owned and operated by a nonprofit charitable organization that has qualified
18 under section 501(c)(3) of the internal revenue code.

19 16. The gross proceeds of sales or gross income derived from contracts
20 to perform postconstruction treatment of real property for termite and
21 general pest control, including wood destroying organisms.

22 17. The gross proceeds of sales or gross income received from contracts
23 entered into before July 1, 2006 for constructing a state university research
24 infrastructure project if the project has been reviewed by the joint
25 committee on capital review before the university enters into the
26 construction contract for the project. For the purposes of this paragraph,
27 "research infrastructure" has the same meaning prescribed in section 15-1670.

28 18. The gross proceeds of sales or gross income received from a
29 contract for the construction of any building, or other structure, project,
30 development or improvement owned by a qualified business under section
31 41-1516 for harvesting or processing qualifying forest products removed from
32 qualifying projects as defined in section 41-1516 if actual construction
33 begins before January 1, 2024. To qualify for this deduction, the prime
34 contractor must obtain a letter of qualification from the Arizona commerce
35 authority before beginning work under the contract.

36 19. Any amount of the gross proceeds of sales or gross income
37 attributable to development fees that are incurred in relation to a contract
38 for construction, development or improvement of real property and that are
39 paid by a prime contractor or subcontractor. For the purposes of this
40 paragraph:

41 (a) The attributable amount shall not exceed the value of the
42 development fees actually imposed.

43 (b) The attributable amount is equal to the total amount of
44 development fees paid by the prime contractor or subcontractor, and the total
45 development fees credited in exchange for the construction of, contribution

1 to or dedication of real property for providing public infrastructure, public
2 safety or other public services necessary to the development. The real
3 property must be the subject of the development fees.

4 (c) "Development fees" means fees imposed to offset capital costs of
5 providing public infrastructure, public safety or other public services to a
6 development and authorized pursuant to section 9-463.05, section 11-1102 or
7 title 48 regardless of the jurisdiction to which the fees are paid.

8 C. Entitlement to the deduction pursuant to subsection B, paragraph 7
9 of this section is subject to the following provisions:

10 1. A prime contractor may establish entitlement to the deduction by
11 both:

12 (a) Marking the invoice for the transaction to indicate that the gross
13 proceeds of sales or gross income derived from the transaction was deducted
14 from the base.

15 (b) Obtaining a certificate executed by the purchaser indicating the
16 name and address of the purchaser, the precise nature of the business of the
17 purchaser, the purpose for which the purchase was made, the necessary facts
18 to establish the deductibility of the property under section 42-5061,
19 subsection B, and a certification that the person executing the certificate
20 is authorized to do so on behalf of the purchaser. The certificate may be
21 disregarded if the prime contractor has reason to believe that the
22 information contained in the certificate is not accurate or complete.

23 2. A person who does not comply with paragraph 1 of this subsection
24 may establish entitlement to the deduction by presenting facts necessary to
25 support the entitlement, but the burden of proof is on that person.

26 3. The department may prescribe a form for the certificate described
27 in paragraph 1, subdivision (b) of this subsection. The department may also
28 adopt rules that describe the transactions with respect to which a person is
29 not entitled to rely solely on the information contained in the certificate
30 provided in paragraph 1, subdivision (b) of this subsection but must instead
31 obtain such additional information as required in order to be entitled to the
32 deduction.

33 4. If a prime contractor is entitled to a deduction by complying with
34 paragraph 1 of this subsection, the department may require the purchaser who
35 caused the execution of the certificate to establish the accuracy and
36 completeness of the information required to be contained in the certificate
37 that would entitle the prime contractor to the deduction. If the purchaser
38 cannot establish the accuracy and completeness of the information, the
39 purchaser is liable in an amount equal to any tax, penalty and interest that
40 the prime contractor would have been required to pay under article 1 of this
41 chapter if the prime contractor had not complied with paragraph 1 of this
42 subsection. Payment of the amount under this paragraph exempts the purchaser
43 from liability for any tax imposed under article 4 of this chapter. The
44 amount shall be treated as a transaction privilege tax to the purchaser and

1 as tax revenues collected from the prime contractor in order to designate the
2 distribution base for purposes of section 42-5029.

3 D. Subcontractors or others who perform services in respect to any
4 improvement, building, highway, road, railroad, excavation, manufactured
5 building or other structure, project, development or improvement are not
6 subject to tax if they can demonstrate that the job was within the control of
7 a prime contractor or contractors or a dealership of manufactured buildings
8 and that the prime contractor or dealership is liable for the tax on the
9 gross income, gross proceeds of sales or gross receipts attributable to the
10 job and from which the subcontractors or others were paid.

11 E. Amounts received by a contractor for a project are excluded from
12 the contractor's gross proceeds of sales or gross income derived from the
13 business if the person who hired the contractor executes and provides a
14 certificate to the contractor stating that the person providing the
15 certificate is a prime contractor and is liable for the tax under article 1
16 of this chapter. The department shall prescribe the form of the certificate.
17 If the contractor has reason to believe that the information contained on the
18 certificate is erroneous or incomplete, the department may disregard the
19 certificate. If the person who provides the certificate is not liable for
20 the tax as a prime contractor, that person is nevertheless deemed to be the
21 prime contractor in lieu of the contractor and is subject to the tax under
22 this section on the gross receipts or gross proceeds received by the
23 contractor.

24 F. Every person engaging or continuing in this state in the business
25 of prime contracting or dealership of manufactured buildings shall present to
26 the purchaser of such prime contracting or manufactured building a written
27 receipt of the gross income or gross proceeds of sales from such activity and
28 shall separately state the taxes to be paid pursuant to this section.

29 G. For the purposes of section 42-5032.01, the department shall
30 separately account for revenues collected under the prime contracting
31 classification from any prime contractor engaged in the preparation or
32 construction of a multipurpose facility, and related infrastructure, that is
33 owned, operated or leased by the tourism and sports authority pursuant to
34 title 5, chapter 8.

35 H. For the purposes of section 42-5032.02, from and after September
36 30, 2013, the department shall separately account for revenues reported and
37 collected under the prime contracting classification from any prime
38 contractor engaged in the construction of any buildings and associated
39 improvements that are for the benefit of a manufacturing facility. For the
40 purposes of this subsection, "associated improvements" and "manufacturing
41 facility" have the same meanings prescribed in section 42-5032.02.

42 I. The gross proceeds of sales or gross income derived from a contract
43 for lawn maintenance services are not subject to tax under this section if
44 the contract does not include landscaping activities. Lawn maintenance
45 service is a service pursuant to section 42-5061, subsection A, paragraph 1,

1 and includes lawn mowing and edging, weeding, repairing sprinkler heads or
2 drip irrigation heads, seasonal replacement of flowers, refreshing gravel,
3 lawn de-thatching, seeding winter lawns, leaf and debris collection and
4 removal, tree or shrub pruning or clipping, garden and gravel raking and
5 applying pesticides, as defined in section 3-361, and fertilizer materials,
6 as defined in section 3-262.

7 J. The gross proceeds of sales or gross income derived from
8 landscaping activities are subject to tax under this section. Landscaping
9 includes installing lawns, grading or leveling ground, installing gravel or
10 boulders, planting trees and other plants, felling trees, removing or
11 mulching tree stumps, removing other imbedded plants, building or modifying
12 irrigation berms, repairing sprinkler or watering systems, installing
13 railroad ties and installing underground sprinkler or watering systems.

14 K. The portion of gross proceeds of sales or gross income attributable
15 to the actual direct costs of providing architectural or engineering services
16 that are incorporated in a contract is not subject to tax under this section.
17 For the purposes of this subsection, "direct costs" means the portion of the
18 actual costs that are directly expended in providing architectural or
19 engineering services.

20 L. Operating a landfill or a solid waste disposal facility is not
21 subject to taxation under this section, including filling, compacting and
22 creating vehicle access to and from cell sites within the landfill.
23 Constructing roads to a landfill or solid waste disposal facility and
24 constructing cells within a landfill or solid waste disposal facility may be
25 deemed prime contracting under this section.

26 M. The following apply ~~to~~ IN DETERMINING THE TAXABLE SITUS OF SALES OF
27 manufactured buildings:

28 1. For sales in this state where the ~~dealership of~~ manufactured
29 ~~buildings~~ BUILDING DEALER contracts to deliver the building to a setup site
30 or to perform the setup in this state, the taxable situs is the setup site.

31 2. For sales in this state where the ~~dealership of~~ manufactured
32 ~~buildings~~ BUILDING DEALER does not contract to deliver the building to a
33 setup site or does not perform the setup, the taxable situs is the location
34 of the dealership where the building is delivered to the buyer.

35 3. For sales in this state where the dealership of manufactured
36 buildings contracts to deliver the building to a setup site that is outside
37 this state, the situs is outside this state and the transaction is excluded
38 from tax.

39 N. The gross proceeds of sales or gross income attributable to a
40 ~~separate,~~ written CONTRACT FOR design phase services ~~contract~~ or professional
41 services ~~contract~~, executed before modification begins AND WITH TERMS,
42 CONDITIONS AND PRICING OF ALL OF THESE SERVICES SEPARATELY STATED IN THE
43 CONTRACT FROM THOSE FOR CONSTRUCTION PHASE SERVICES, is not subject to tax
44 under this section, regardless of whether the services are provided
45 sequential to or concurrent with prime contracting activities that are

1 subject to tax under this section. This subsection does not include the
2 gross proceeds of sales or gross income attributable to construction phase
3 services. For the purposes of this subsection:

4 1. "Construction phase services" means services for the execution and
5 completion of any modification, including the following:

6 (a) Administration or supervision of any modification performed on the
7 project, including team management and coordination, scheduling, cost
8 controls, submittal process management, field management, safety program,
9 close-out process and warranty period services.

10 (b) Administration or supervision of any modification performed
11 pursuant to a punch list. For the purposes of this subdivision, "punch list"
12 means minor items of modification work performed after substantial completion
13 and before final completion of the project.

14 (c) Administration or supervision of any modification performed
15 pursuant to change orders. For the purposes of this subdivision, "change
16 order" means a written instrument issued after execution of a contract for
17 modification work, providing for all of the following:

18 (i) The scope of a change in the modification work, contract for
19 modification work or other contract documents.

20 (ii) The amount of an adjustment, if any, to the guaranteed maximum
21 price as set in the contract for modification work. For the purposes of this
22 item, "guaranteed maximum price" means the amount guaranteed to be the
23 maximum amount due to a prime contractor for the performance of all
24 modification work for the project.

25 (iii) The extent of an adjustment, if any, to the contract time of
26 performance set forth in the contract.

27 (d) Administration or supervision of any modification performed
28 pursuant to change directives. For the purposes of this subdivision, "change
29 directive" means a written order directing a change in modification work
30 before agreement on an adjustment of the guaranteed maximum price or contract
31 time.

32 (e) Inspection to determine the dates of substantial completion or
33 final completion.

34 (f) Preparation of any manuals, warranties, as-built drawings, spares
35 or other items the prime contractor must furnish pursuant to the contract for
36 modification work. For the purposes of this subdivision, "as-built drawing"
37 means a drawing that indicates field changes made to adapt to field
38 conditions, field changes resulting from change orders or buried and
39 concealed installation of piping, conduit and utility services.

40 (g) Preparation of status reports after modification work has begun
41 detailing the progress of work performed, including preparation of any of the
42 following:

43 (i) Master schedule updates.

44 (ii) Modification work cash flow projection updates.

45 (iii) Site reports made on a periodic basis.

1 (iv) Identification of discrepancies, conflicts or ambiguities in
2 modification work documents that require resolution.

3 (v) Identification of any health and safety issues that have arisen in
4 connection with the modification work.

5 (h) Preparation of daily logs of modification work, including
6 documentation of personnel, weather conditions and on-site occurrences.

7 (i) Preparation of any submittals or shop drawings used by the prime
8 contractor to illustrate details of the modification work performed.

9 (j) Administration or supervision of any other activities for which a
10 prime contractor receives a certificate for payment or certificate for final
11 payment based on the progress of modification work performed on the project.

12 2. "Design phase services" means services for developing and
13 completing a design for a project that are not construction phase services,
14 including the following:

15 (a) Evaluating surveys, reports, test results or any other information
16 on-site conditions for the project, including physical characteristics, legal
17 limitations and utility locations for the site.

18 (b) Evaluating any criteria or programming objectives for the project
19 to ascertain requirements for the project, such as physical requirements
20 affecting cost or projected utilization of the project.

21 (c) Preparing drawings and specifications for architectural program
22 documents, schematic design documents, design development documents,
23 modification work documents or documents that identify the scope of or
24 materials for the project.

25 (d) Preparing an initial schedule for the project, excluding the
26 preparation of updates to the master schedule after modification work has
27 begun.

28 (e) Preparing preliminary estimates of costs of modification work
29 before completion of the final design of the project, including an estimate
30 or schedule of values for any of the following:

31 (i) Labor, materials, machinery and equipment, tools, water, heat,
32 utilities, transportation and other facilities and services used in the
33 execution and completion of modification work, regardless of whether they are
34 temporary or permanent or whether they are incorporated in the modifications.

35 (ii) The cost of labor and materials to be furnished by the owner of
36 the real property.

37 (iii) The cost of any equipment of the owner of the real property to
38 be assigned by the owner to the prime contractor.

39 (iv) The cost of any labor for installation of equipment separately
40 provided by the owner of the real property that has been designed, specified,
41 selected or specifically provided for in any design document for the project.

42 (v) Any fee paid by the owner of the real property to the prime
43 contractor pursuant to the contract for modification work.

44 (vi) Any bond and insurance premiums.

45 (vii) Any applicable taxes.

1 (viii) Any contingency fees for the prime contractor that may be used
2 before final completion of the project.

3 (f) Reviewing and evaluating cost estimates and project documents to
4 prepare recommendations on site use, site improvements, selection of
5 materials, building systems and equipment, modification feasibility,
6 availability of materials and labor, local modification activity as related
7 to schedules and time requirements for modification work.

8 (g) Preparing the plan and procedures for selection of subcontractors,
9 including any prequalification of subcontractor candidates.

10 3. "Professional services" means architect services, assayer services,
11 engineer services, geologist services, land surveying services or landscape
12 architect services that are within the scope of those services as provided in
13 title 32, chapter 1 and for which gross proceeds of sales or gross income has
14 not otherwise been deducted under subsection K of this section.

15 0. THE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM A CONTRACT
16 WITH THE OWNER OF REAL PROPERTY OR THE PERSON OWNING THE IMPROVEMENTS TO THE
17 REAL PROPERTY FOR THE MAINTENANCE, REPAIR, REPLACEMENT OR ALTERATION OF
18 EXISTING PROPERTY IS NOT SUBJECT TO TAX UNDER THIS SECTION IF THE CONTRACT
19 DOES NOT INCLUDE MODIFICATION ACTIVITIES, EXCEPT AS SPECIFIED IN THIS
20 SUBSECTION. THE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM A DE
21 MINIMIS AMOUNT OF MODIFICATION ACTIVITY THAT IS ESSENTIAL TO THE COMPLETION
22 OF THE MAINTENANCE, REPAIR, REPLACEMENT OR ALTERATION CONTRACT DOES NOT
23 SUBJECT THE ENTIRE CONTRACT TO TAX UNDER THIS SECTION. FOR THE PURPOSES OF
24 THIS SUBSECTION, EACH CONTRACT OR PROJECT IS INDEPENDENT OF ANY OTHER
25 CONTRACT.

26 ~~0.~~ P. Notwithstanding subsection ~~P~~ Q, paragraph 8 of this section, a
27 person owning real property who enters into a contract for sale of the real
28 property, who is responsible to the new owner of the property for
29 modifications made to the property in the period subsequent to the transfer
30 of title and who receives a consideration for the modifications is considered
31 a prime contractor solely for purposes of taxing the gross proceeds of sale
32 or gross income received for the modifications made subsequent to the
33 transfer of title. The original owner's gross proceeds of sale or gross
34 income received for the modifications shall be determined according to the
35 following methodology:

36 1. If any part of the contract for sale of the property specifies
37 amounts to be paid to the original owner for the modifications to be made in
38 the period subsequent to the transfer of title, the amounts are included in
39 the original owner's gross proceeds of sale or gross income under this
40 section. Proceeds from the sale of the property that are received after
41 transfer of title and that are unrelated to the modifications made subsequent
42 to the transfer of title are not considered gross proceeds of sale or gross
43 income from the modifications.

44 2. If the original owner enters into an agreement separate from the
45 contract for sale of the real property providing for amounts to be paid to

1 the original owner for the modifications to be made in the period subsequent
2 to the transfer of title to the property, the amounts are included in the
3 original owner's gross proceeds of sale or gross income received for the
4 modifications made subsequent to the transfer of title.

5 3. If the original owner is responsible to the new owner for
6 modifications made to the property in the period subsequent to the transfer
7 of title and derives any gross proceeds of sale or gross income from the
8 project subsequent to the transfer of title other than a delayed disbursement
9 from escrow unrelated to the modifications, it is presumed that the amounts
10 are received for the modifications made subsequent to the transfer of title
11 unless the contrary is established by the owner through its books, records
12 and papers kept in the regular course of business.

13 4. The tax base of the original owner is computed in the same manner
14 as a prime contractor under this section.

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

16 1. "Contracting" means engaging in business as a contractor.

17 2. "Contractor" is synonymous with the term "builder" and means any
18 person or organization that undertakes to or offers to undertake to, or
19 purports to have the capacity to undertake to, or submits a bid to, or does
20 personally or by or through others, modify any building, highway, road,
21 railroad, excavation, manufactured building or other structure, project,
22 development or improvement, or to do any part of such a project, including
23 the erection of scaffolding or other structure or works in connection with
24 such a project, and includes subcontractors and specialty contractors. For
25 all purposes of taxation or deduction, this definition shall govern without
26 regard to whether or not such contractor is acting in fulfillment of a
27 contract.

28 ~~4.~~ 3. "Manufactured building" means a manufactured home, mobile home
29 or factory-built building, as defined in section 41-2142.

30 ~~3.~~ 4. "~~Dealership of~~ Manufactured ~~buildings~~ BUILDING DEALER" means a
31 dealer who either:

32 (a) Is licensed pursuant to title 41, chapter 16 and who sells
33 manufactured buildings to the final consumer.

34 (b) Supervises, performs or coordinates the excavation and completion
35 of site improvements, ~~OR THE~~ setup or moving of a manufactured building
36 including the contracting, if any, with any subcontractor or specialty
37 contractor for the completion of the contract.

38 5. "Modification" means construction, ~~alteration, repair, addition,~~
39 ~~subtraction,~~ improvement, movement, wreckage or demolition.

40 6. "Modify" means to construct, ~~alter, repair, add to, subtract from,~~
41 improve, move, wreck or demolish.

42 7. "Prime contracting" means engaging in business as a prime
43 contractor.

44 8. "Prime contractor" means a contractor who supervises, performs or
45 coordinates the modification of any building, highway, road, railroad,

1 excavation, manufactured building or other structure, project, development or
2 improvement including the contracting, if any, with any subcontractors or
3 specialty contractors and who is responsible for the completion of the
4 contract. Except as provided in subsections E and ~~Θ~~ P of this section, a
5 person who owns real property, who engages one or more contractors to modify
6 that real property and who does not itself modify that real property is not a
7 prime contractor within the meaning of this paragraph regardless of the
8 existence of a contract for sale or the subsequent sale of that real
9 property.

10 9. "Sale of a used manufactured building" does not include a lease of
11 a used manufactured building.

12 Sec. 12. Repeal

13 Section ~~42-5075~~, Arizona Revised Statutes, as amended by Laws 2013,
14 chapter 255, section 15, is repealed.

15 Sec. 13. Section 42-6001, Arizona Revised Statutes, as amended by Laws
16 2013, chapter 255, section 18, is amended to read:

17 ~~42-6001.~~ Collection and administration of transaction privilege
18 tax and affiliated excise taxes; intergovernmental
19 contract or agreement; method of payment

20 A. The department shall collect and administer any transaction
21 privilege and affiliated excise taxes, including use tax, severance tax, jet
22 fuel excise and use tax, and rental occupancy tax, imposed by any city or
23 town. ~~and~~ The department and ~~any~~ EACH city or town shall enter into A
24 intergovernmental ~~contracts~~ CONTRACT or ~~agreements~~ AGREEMENT to provide a
25 uniform method of administration, collection, audit and licensing of
26 transaction privilege and affiliated excise taxes imposed by the state or
27 cities or towns pursuant to title 11, chapter 7, article 3. The contract or
28 agreement shall include criteria for the denial of a request from a city or
29 town for an audit of a taxpayer that is engaged in business in more than one
30 city or town.

31 ~~B. The director shall enter into agreements with cities and towns of~~
32 ~~this state that levy transaction privilege and affiliated excise taxes to~~
33 ~~provide for unified or coordinated licensing, collection and auditing~~
34 ~~programs for such taxes levied by cities and towns and taxes levied pursuant~~
35 ~~to chapter 5 of this title. Cities and towns shall enter into agreements~~
36 ~~with the department to provide for unified or coordinated licensing,~~
37 ~~collection and auditing programs for transaction privilege and affiliated~~
38 ~~excise taxes levied by cities and towns and for taxes levied pursuant to~~
39 ~~chapter 5 of this title.~~

40 ~~C. The director shall establish with the cities and towns a uniform~~
41 ~~licensing, collection and audit committee to direct such unified or~~
42 ~~coordinated functions.~~

43 ~~D. A taxpayer who is required to pay any municipal transaction~~
44 ~~privilege and affiliated excise taxes to a city or town that did not have an~~
45 ~~intergovernmental contract or agreement with the department of revenue in~~

1 ~~effect as of January 1, 2013 to provide a coordinated method of collecting~~
2 ~~municipal transaction privilege and affiliated excise taxes may instead~~
3 ~~report and pay the required tax to that city or town through an online~~
4 ~~portal. The online portal shall be procured by the department of~~
5 ~~administration pursuant to a public private partnership entered into pursuant~~
6 ~~to section 41-2559, shall include access to a single point of filing and~~
7 ~~paying the tax and shall provide security measures to protect taxpayer~~
8 ~~information. The department of revenue shall administer the portal.~~

9 ~~E.~~ B. A taxpayer that does not report and pay the required tax to a
10 city or town ~~through the portal~~ ELECTRONICALLY shall file and pay the tax to
11 the department of revenue if the department has developed the electronic and
12 nonelectronic tools necessary to capture data with sufficient specificity to
13 meet the needs of all taxing jurisdictions, including specific data regarding
14 each tax classification and any corresponding deductions at each business
15 location of the taxpayer.

16 Sec. 14. Section 42-6002, Arizona Revised Statutes, as amended by Laws
17 2013, chapter 255, section 19, is amended to read:

18 42-6002. Administration; procedures for levy, collection and
19 enforcement applicable to cities and towns

20 A. UNLESS THE CONTEXT OTHERWISE REQUIRES, CHAPTER 1 AND CHAPTER 5,
21 ARTICLE 1 OF THIS TITLE GOVERN THE ADMINISTRATION OF THE MUNICIPAL PRIVILEGE
22 TAXES LEVIED BY A CITY OR TOWN.

23 ~~A.~~ B. The procedures for levy, collection and enforcement of payment
24 of transaction privilege and affiliated excise taxes, including use tax,
25 severance tax, jet fuel excise and use tax, and rental occupancy tax, levied
26 by a city or town shall be in the same manner as authorized by chapter 5 of
27 this title.

28 ~~B.~~ C. An intergovernmental contract or agreement entered into
29 pursuant to section 42-6001, subsection A shall include the following
30 provisions:

31 1. All audits shall be conducted in accordance with standard audit
32 procedures defined in the department of revenue audit manual.

33 2. All auditors shall be trained in accordance with the policies of
34 the department.

35 3. AN AUDITOR THAT IS TRAINED AND AUTHORIZED TO CONDUCT AN AUDIT MAY
36 NOT REPRESENT ANY TAXPAYER IN ANY TAX MATTER.

37 ~~3.~~ 4. Except as provided in paragraph ~~4-~~ 5 of this subsection, the
38 audit of a taxpayer that has locations in two or more cities or towns shall
39 be conducted by the department.

40 ~~4.~~ 5. All audits shall include all taxing jurisdictions in this state
41 regardless of which jurisdiction conducts the audit. A city or town may
42 conduct an audit of any taxpayer that is engaged in business in only one city
43 or town and any other taxpayer authorized by the department.

44 ~~5.~~ 6. The department shall issue all audit assessments on behalf of
45 all taxing jurisdictions in a single notice to the taxpayer.

1 ~~6-~~ 7. Appeals of audit assessments shall be directed to the
2 department.

3 8. APPEALS OF AUDIT ASSESSMENTS SHALL BE ADMINISTERED PURSUANT TO
4 CHAPTER 1, ARTICLE 6 OF THIS TITLE.

5 ~~7-~~ 9. The department shall notify all affected cities and towns
6 before entering into any compromise, closing, settlement or other agreement
7 with a person related to the tax levied and imposed by the cities and towns.

8 Sec. 15. Section 42-6004, Arizona Revised Statutes, as amended by Laws
9 2013, first regular session, chapter 27, section 2, chapter 120, section 2,
10 chapter 153, section 2 and chapter 236, section 6 and Laws 2013, first
11 special session, chapter 9, section 8, is amended to read:

12 42-6004. Exemption from municipal tax

13 A. A city, town or special taxing district shall not levy a
14 transaction privilege, sales, use or other similar tax on:

15 1. Exhibition events in this state sponsored, conducted or operated by
16 a nonprofit organization that is exempt from taxation under section
17 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the
18 organization is associated with a major league baseball team or a national
19 touring professional golfing association and no part of the organization's
20 net earnings inures to the benefit of any private shareholder or individual.

21 2. Interstate telecommunications services, which include that portion
22 of telecommunications services, such as subscriber line service, allocable by
23 federal law to interstate telecommunications service.

24 3. Sales of warranty or service contracts.

25 4. Sales of motor vehicles to nonresidents of this state for use
26 outside this state if the ~~vendor~~ MOTOR VEHICLE DEALER ships or delivers the
27 motor vehicle to a destination outside this state.

28 5. Interest on finance contracts.

29 6. Dealer documentation fees on the sales of motor vehicles.

30 7. Sales of food or other items purchased with United States
31 department of agriculture food stamp coupons issued under the food stamp act
32 of 1977 (P.L. 95-113; 91 Stat. 958) or food instruments issued under section
33 17 of the child nutrition act (P.L. 95-627; 92 Stat. 3603; P.L. 99-661,
34 section 4302; 42 United States Code section 1786) but may impose such a tax
35 on other sales of food. If a city, town or special taxing district exempts
36 sales of food from its tax or imposes a different transaction privilege rate
37 on the gross proceeds of sales or gross income from sales of food and nonfood
38 items, it shall use the definition of food prescribed by rule adopted by the
39 department pursuant to section 42-5106.

40 8. Orthodontic devices dispensed by a dental professional who is
41 licensed under title 32, chapter 11 to a patient as part of the practice of
42 dentistry.

43 9. Sales of internet access services to the person's subscribers and
44 customers. For the purposes of this paragraph:

1 (a) "Internet" means the computer and telecommunications facilities
2 that comprise the interconnected worldwide network of networks that employ
3 the transmission control protocol or internet protocol, or any predecessor or
4 successor protocol, to communicate information of all kinds by wire or radio.

5 (b) "Internet access" means a service that enables users to access
6 content, information, electronic mail or other services over the internet.
7 Internet access does not include telecommunication services provided by a
8 common carrier.

9 10. The gross proceeds of sales or gross income retained by the Arizona
10 exposition and state fair board from ride ticket sales at the annual Arizona
11 state fair.

12 11. Through August 31, 2014, sales of Arizona centennial medallions by
13 the historical advisory commission.

14 12. Leasing real property between affiliated companies, businesses,
15 persons or reciprocal insurers. For the purposes of this paragraph:

16 (a) "Affiliated companies, businesses, persons or reciprocal insurers"
17 means the lessor holds a controlling interest in the lessee, the lessee holds
18 a controlling interest in the lessor, an affiliated entity holds a
19 controlling interest in both the lessor and the lessee or an unrelated person
20 holds a controlling interest in both the lessor and lessee.

21 (b) "Controlling interest" means direct or indirect ownership of at
22 least eighty per cent of the voting shares of a corporation or of the
23 interests in a company, business or person other than a corporation.

24 (c) "Reciprocal insurer" has the same meaning prescribed in section
25 20-762.

26 13. The gross proceeds of sales or gross income derived from a contract
27 for the installation, assembly, repair or maintenance of machinery, equipment
28 or other tangible personal property described in section 42-5061, subsection
29 B and that has independent functional utility, pursuant to the following
30 provisions:

31 (a) The deduction provided in this paragraph includes the gross
32 proceeds of sales or gross income derived from all of the following:

33 (i) Any activity performed on machinery, equipment or other tangible
34 personal property with independent functional utility.

35 (ii) Any activity performed on any tangible personal property relating
36 to machinery, equipment or other tangible personal property with independent
37 functional utility in furtherance of any of the purposes provided for under
38 subdivision (d) of this paragraph.

39 (iii) Any activity that is related to the activities described in
40 ~~subdivision (a),~~ items (i) and (ii) of this ~~paragraph~~ **SUBDIVISION**,
41 including, ~~but not limited to,~~ inspecting the installation of, ~~or testing,~~
42 the machinery, equipment or other tangible personal property.

43 (b) The deduction provided in this paragraph does not include gross
44 proceeds of sales or gross income from the portion of any contracting
45 activity that consists of the development of, or modification to, real

1 property in order to facilitate the installation, assembly, repair,
2 maintenance or removal of machinery, equipment or other tangible personal
3 property described in section 42-5061, subsection B.

4 (c) The deduction provided in this paragraph shall be determined
5 without regard to the size or useful life of the machinery, equipment or
6 other tangible personal property.

7 (d) For the purposes of this paragraph, "independent functional
8 utility" means that the machinery, equipment or other tangible personal
9 property can independently perform its function without attachment to real
10 property, other than attachment for any of the following purposes:

11 (i) Assembling the machinery, equipment or other tangible personal
12 property.

13 (ii) Connecting items of machinery, equipment or other tangible
14 personal property to each other.

15 (iii) Connecting the machinery, equipment or other tangible personal
16 property, whether as an individual item or as a system of items, to water,
17 power, gas, communication or other services.

18 (iv) Stabilizing or protecting the machinery, equipment or other
19 tangible personal property during operation by bolting, burying or performing
20 other dissimilar nonpermanent connections to either real property or real
21 property improvements.

22 14. The leasing or renting of certified ignition interlock devices
23 installed pursuant to the requirements prescribed by section 28-1461. For
24 the purposes of this paragraph, "certified ignition interlock device" has the
25 same meaning prescribed in section 28-1301.

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

37 16. THE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM A CONTRACT
38 WITH THE OWNER OF REAL PROPERTY OR THE PERSON OWNING THE IMPROVEMENTS TO THE
39 REAL PROPERTY FOR THE MAINTENANCE, REPAIR, REPLACEMENT OR ALTERATION OF
40 EXISTING PROPERTY IS NOT SUBJECT TO TAX UNDER THIS SECTION IF THE CONTRACT
41 DOES NOT INCLUDE MODIFICATION ACTIVITIES, EXCEPT AS SPECIFIED IN THIS
42 PARAGRAPH. THE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED FROM A DE
43 MINIMIS AMOUNT OF MODIFICATION ACTIVITY THAT IS ESSENTIAL TO THE COMPLETION
44 OF THE MAINTENANCE, REPAIR, REPLACEMENT OR ALTERATION CONTRACT DOES NOT
45 SUBJECT THE ENTIRE CONTRACT TO TAX UNDER THIS SECTION. FOR THE PURPOSES OF

1 THIS PARAGRAPH, EACH CONTRACT OR PROJECT IS INDEPENDENT OF ANY OTHER
2 CONTRACT.

3 B. A city, town or other taxing jurisdiction shall not levy a
4 transaction privilege, sales, use, franchise or other similar tax or fee,
5 however denominated, on natural gas or liquefied petroleum gas used to propel
6 a motor vehicle.

7 C. A city, town or other taxing jurisdiction shall not levy a
8 transaction privilege, sales, gross receipts, use, franchise or other similar
9 tax or fee, however denominated, on gross proceeds of sales or gross income
10 derived from any of the following:

11 1. A motor carrier's use on the public highways in this state if the
12 motor carrier is subject to a fee prescribed in title 28, chapter 16,
13 article 4.

14 2. Leasing, renting or licensing a motor vehicle subject to and ~~upon~~
15 ON which the fee has been paid under title 28, chapter 16, article 4.

16 3. The sale of a motor vehicle and any repair and replacement parts
17 and tangible personal property becoming a part of such motor vehicle to a
18 motor carrier who is subject to a fee prescribed in title 28, chapter 16,
19 article 4 and who is engaged in the business of leasing, renting or licensing
20 such property.

21 4. Incarcerating or detaining in a privately operated prison, jail or
22 detention facility prisoners who are under the jurisdiction of the United
23 States, this state or any other state or a political subdivision of this
24 state or of any other state.

25 5. Transporting for hire persons, freight or property by light motor
26 vehicles subject to a fee under title 28, chapter 15, article 4.

27 6. Any amount attributable to development fees that are incurred in
28 relation to the construction, development or improvement of real property and
29 paid by the taxpayer as defined in the model city tax code or by a contractor
30 providing services to the taxpayer. For the purposes of this paragraph:

31 (a) The attributable amount shall not exceed the value of the
32 development fees actually imposed.

33 (b) The attributable amount is equal to the total amount of
34 development fees paid by the taxpayer or by a contractor providing services
35 to the taxpayer and the total development fees credited in exchange for the
36 construction of, contribution to or dedication of real property for providing
37 public infrastructure, public safety or other public services necessary to
38 the development. The real property must be the subject of the development
39 fees.

40 (c) "Development fees" means fees imposed to offset capital costs of
41 providing public infrastructure, public safety or other public services to a
42 development and authorized pursuant to section 9-463.05, section 11-1102 or
43 title 48 regardless of the jurisdiction to which the fees are paid.

44 D. A city, town or other taxing jurisdiction shall not levy a
45 transaction privilege, sales, use, franchise or other similar tax or fee,

1 however denominated, in excess of one-tenth of one per cent of the value of
2 the entire product mined, smelted, extracted, refined, produced or prepared
3 for sale, profit or commercial use, on persons engaged in the business of
4 mineral processing, except to the extent that the tax is computed on the
5 gross proceeds or gross income from sales at retail.

6 E. In computing the tax base, any city, town or other taxing
7 jurisdiction shall not include in the gross proceeds of sales or gross
8 income:

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

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

12 F. A city or town shall not levy a use tax on the storage, use or
13 consumption of tangible personal property in the city or town by a school
14 district or charter school.

15 Sec. 16. Repeal

16 Section 42-6004, Arizona Revised Statutes, as amended by Laws 2013,
17 chapter 255, section 20, is repealed.

18 Sec. 17. Repeal

19 Section 42-6009, Arizona Revised Statutes, is repealed.

20 Sec. 18. Repeal

21 Section 42-6056, Arizona Revised Statutes, is repealed.

22 Sec. 19. Refunds; definitions

23 A. For tax periods ending before January 1, 2015, claims for credit or
24 refund of municipal privilege tax shall be made to the tax collector of the
25 city or town to which the tax was originally paid.

26 B. A claim for credit or refund of municipal transaction privilege tax
27 filed with the tax collector is valid for purposes of filing if the claim is
28 in writing, identifies the claimant by name and the claimant's address and
29 tax identification number and provides the amount of credit or refund
30 requested, the specific tax period involved and the specific grounds for the
31 claim.

32 C. If a credit or refund claim is valid under subsection B of this
33 section, the tax collector shall not refuse to process the claim or require
34 the claimant to refile the credit or refund claim. If the tax collector
35 refuses to process or requires refiling of a credit or refund claim that is
36 valid under subsection B of this section:

37 1. For purposes of the limitation period, the credit or refund claim
38 is deemed received on the date the original filing was received by the tax
39 collector, notwithstanding the tax collector's refusal to process or
40 requirement to refile the claim.

41 2. The claimant may treat the tax collector's refusal to process or
42 requirement to refile as a denial of the credit or refund claim by filing a
43 petition for hearing regarding the refusal to process or requirement to
44 refile under the administrative review provisions of the model city tax code

1 or state law, as applicable. The claimant may file a petition for hearing at
2 any time after the refusal to process or requirement to refile the claim.

3 D. A denial of the credit or refund claim does not occur until the tax
4 collector notifies the claimant in writing that:

5 1. The claim for credit or refund has been denied and the reasoning
6 for the denial.

7 2. The notice constitutes a denial of the credit or refund claim that
8 triggers the deadline for filing a petition for hearing under the
9 administrative review provisions of the model city tax code or state law, as
10 applicable. The time limitation for filing an administrative appeal does not
11 begin until the tax collector issues the notification.

12 E. Any request by the tax collector for additional information to
13 process the credit or refund claim must be reasonably related to the credit
14 or refund claim. The tax collector may not require a claimant to provide any
15 report or information that is not required to be maintained in the normal
16 course of business under the record keeping requirements of the model city
17 tax code. Except for information reasonably necessary to substantiate a
18 customer's exemption claim, the tax collector shall not require a claimant to
19 provide any information relating to the claimant's specific customers,
20 whether or not the claimant collected the tax from customers by separately
21 stated itemization. The tax collector may not impose unreasonable time
22 limits for a claimant to respond to any valid request for a report or
23 information. The tax collector shall grant a claimant's reasonable request
24 for one or more extensions to provide any requested report or information.
25 Any denial of the request must state in writing that:

26 1. The claim for credit or refund has been denied and the reason for
27 the denial.

28 2. The notice constitutes a denial of the credit or refund claim that
29 triggers the deadline for filing a petition for hearing under the
30 administrative review provisions of the model city tax code or state law, as
31 applicable.

32 F. The tax collector may not condition a credit or refund on the
33 claimant's remittance of the credit or refund to customers, whether or not
34 the tax was collected by separately stated itemization. Tax paid on an
35 activity that is not subject to tax or that qualifies for an exemption,
36 deduction, exclusion or credit is not excess collected tax.

37 G. Interest on a credit or refund for overpaid municipal transaction
38 privilege tax shall be paid to the claimant at the rate and in the manner
39 prescribed by section 42-1123, subsection A, Arizona Revised Statutes.
40 Interest on a refund or credit claim shall be computed from the date the
41 claim is filed.

42 H. A claimant that is ultimately determined to be entitled to a credit
43 or refund of municipal transaction privilege tax may be awarded by order of a
44 court, board or hearing officer reasonable fees and other costs relating to
45 the administrative processing or administrative appeal of the credit or

1 refund claim if the tax collector's position was not substantially justified
2 or was brought for the purpose of harassing the claimant, frustrating the
3 credit or refund process or delaying the credit or refund.

4 I. If a discrepancy occurs between this section and any provision of
5 the model city tax code, this section applies.

6 J. For the purposes of this section:

7 1. "Claimant" means a taxpayer that has paid the municipal transaction
8 privilege tax that is the subject of the credit or refund claim. Unless the
9 taxpayer has granted a customer a power of attorney to pursue a credit or
10 refund claim on the taxpayer's behalf, claimant does not include any customer
11 of that taxpayer, whether or not the claimant collected the tax from
12 customers by separately stated itemization.

13 2. "Model city tax code" means the model city tax code as defined in
14 section 42-6051, Arizona Revised Statutes, and its appendices and
15 regulations, as adopted in the city or town and includes the specific state
16 law incorporated in the model city tax code and the interpretation of state
17 law.

18 3. "Municipal transaction privilege tax" means a municipal transaction
19 privilege tax, municipal privilege license tax or municipal transaction
20 privilege license tax, municipal use tax or similar excise tax that is
21 imposed by the tax collector.

22 4. "Reasonable fees and other costs" means fees and other costs that
23 are based on prevailing market rates for the kind and quality of the
24 furnished services, not to exceed the amounts actually paid for expert
25 witnesses, the cost of any study, analysis, report, test, project or computer
26 program that is found to be necessary to prepare the claimant's case and
27 necessary fees for attorneys or other representatives.

28 5. "Tax collector" means the municipal tax collector or the department
29 of revenue if it is acting as the tax collector for those cities and towns in
30 the state collection program, as applicable under the model city tax code and
31 its appendices.

32 Sec. 20. Appeals

33 Reviews of petitions for hearing or redetermination under the model
34 city tax code for cities and towns that did not have an intergovernmental
35 contract or agreement with the department of revenue in effect as of January
36 1, 2013 to provide a coordinated method of collecting municipal privilege tax
37 that relates to liabilities established before January 1, 2015 must be heard
38 by the municipal hearing office established under section 42-6056, Arizona
39 Revised Statutes, as amended by this act.

40 Sec. 21. License renewal notices

41 From and after September 30, 2014, the department of revenue shall mail
42 a single notice for the annual license renewal prescribed by section 42-5005,
43 Arizona Revised Statutes, as amended by this act, to existing license
44 holders. The renewal notice must include license renewals for state
45 transaction privilege and municipal privilege and affiliated taxes.

1 Sec. 22. Department of revenue; exemption from rulemaking
2 The department of revenue is exempt from the rulemaking requirements of
3 title 41, chapter 6, Arizona Revised Statutes, for the purpose of
4 implementing this act.

5 Sec. 23. Effective date

6 A. Sections 35-142 and 41-132, Arizona Revised Statutes, as amended by
7 this act, are effective from and after September 30, 2014.

8 B. Sections 42-1125 and 42-5005, Arizona Revised Statutes, as amended
9 by this act, are effective from and after December 31, 2014.

10 C. Section 42-2003, Arizona Revised Statutes, as amended by Laws 2013,
11 chapter 255, section 2 and this act, is effective retroactively to from and
12 after September 12, 2013.

13 D. Section 42-2075, Arizona Revised Statutes, as amended by Laws 2013,
14 chapter 255, section 4 and this act, section 42-5009, Arizona Revised
15 Statutes, as amended by Laws 2013, chapter 40, section 3 and this act,
16 section 42-5014, Arizona Revised Statutes, as amended by Laws 2013, chapter
17 255, section 7 and this act, section 42-5075, Arizona Revised Statutes, as
18 amended by Laws 2013, first regular session, chapter 153, section 1 and Laws
19 2013, first special session, chapter 9, section 6 and this act, section 42-
20 6001, Arizona Revised Statutes, as amended by Laws 2013, chapter 255, section
21 18 and this act, section 42-6002, Arizona Revised Statutes, as amended by
22 Laws 2013, chapter 255, section 19 and this act, and section 42-6004, Arizona
23 Revised Statutes, as amended by Laws 2013, first regular session, chapter 27,
24 section 2, chapter 120, section 2, chapter 153, section 2 and chapter 236,
25 section 6 and Laws 2013, first special session, chapter 9, section 8 and this
26 act, are effective from and after December 31, 2014.

27 E. The repeal of section 42-6009, Arizona Revised Statutes, by this
28 act is effective from and after December 31, 2014.

29 F. Sections 19, 20 and 21 of this act are effective from and after
30 December 31, 2014.