

State of Arizona  
Senate  
Fifty-second Legislature  
Second Regular Session  
2016

# SENATE BILL 1402

AN ACT

AMENDING SECTION 42-12006, ARIZONA REVISED STATUTES; RELATING TO PROPERTY TAX CLASSIFICATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 42-12006, Arizona Revised Statutes, is amended to  
3 read:

4 42-12006. Class six property

5 For purposes of taxation, class six is established consisting of:

6 1. Noncommercial historic property as defined in section 42-12101 and  
7 valued at full cash value.

8 2. Real and personal property that is located within the area of a  
9 foreign trade zone or subzone established under 19 United States Code section  
10 81 and title 44, chapter 18, that is activated for foreign trade zone use by  
11 the district director of the United States customs service pursuant to  
12 19 Code of Federal Regulations section 146.6 and that is valued at full cash  
13 value. Property that is classified under this paragraph shall not thereafter  
14 be classified under paragraph 6 of this section.

15 3. Real and personal property and improvements that are located in a  
16 military reuse zone that is established under title 41, chapter 10, article 3  
17 and that is devoted to providing aviation or aerospace services or to  
18 manufacturing, assembling or fabricating aviation or aerospace products,  
19 valued at full cash value and subject to the following terms and conditions:

20 (a) Property may not be classified under this paragraph for more than  
21 five tax years.

22 (b) Any new addition or improvement to property already classified  
23 under this paragraph qualifies separately for classification under this  
24 paragraph for not more than five tax years.

25 (c) If a military reuse zone is terminated, the property in that zone  
26 that was previously classified under this paragraph shall be reclassified as  
27 prescribed by this article.

28 (d) Property that is classified under this paragraph shall not  
29 thereafter be classified under paragraph 6 of this section.

30 4. Real and personal property and improvements or a portion of such  
31 property comprising an environmental technology manufacturing, producing or  
32 processing facility that qualified under section 41-1514.02, valued at full  
33 cash value and subject to the following terms and conditions:

34 (a) Property shall be classified under this paragraph for twenty tax  
35 years from the date placed in service.

36 (b) Any addition or improvement to property already classified under  
37 this paragraph qualifies separately for classification under this subdivision  
38 for an additional twenty tax years from the date placed in service.

39 (c) After revocation of certification under section 41-1514.02,  
40 property that was previously classified under this paragraph shall be  
41 reclassified as prescribed by this article.

42 (d) Property that is classified under this paragraph shall not  
43 thereafter be classified under paragraph 6 of this section.

1           5. That portion of real and personal property that is used on or after  
2 January 1, 1999 specifically and solely for remediation of the environment by  
3 an action that has been determined to be reasonable and necessary to respond  
4 to the release or threatened release of a hazardous substance by the  
5 department of environmental quality pursuant to section 49-282.06 or pursuant  
6 to its corrective action authority under rules adopted pursuant to section  
7 49-922, subsection B, paragraph 4 or by the United States environmental  
8 protection agency pursuant to the national contingency plan (40 Code of  
9 Federal Regulations part 300) and that is valued at full cash value.  
10 Property that is not being used specifically and solely for the remediation  
11 objectives described in this paragraph shall not be classified under this  
12 paragraph. For the purposes of this paragraph, "remediation of the  
13 environment" means one or more of the following actions:

14           (a) Monitoring, assessing or evaluating the release or threatened  
15 release.

16           (b) Excavating, removing, transporting, treating and disposing of  
17 contaminated soil.

18           (c) Pumping and treating contaminated water.

19           (d) Treatment, containment or removal of contaminants in groundwater  
20 or soil.

21           6. Real and personal property and improvements constructed or  
22 installed from and after December 31, 2004 through December 31, 2024 and  
23 owned by a qualified business under section 41-1516 and used solely for the  
24 purpose of harvesting, transporting or processing qualifying forest products  
25 removed from qualifying projects as defined in section 41-1516. The  
26 classification under this paragraph is subject to the following terms and  
27 conditions:

28           (a) Property may be initially classified under this paragraph only in  
29 valuation years 2005 through 2024.

30           (b) Property may not be classified under this paragraph for more than  
31 five years.

32           (c) Any new addition or improvement, constructed or installed from and  
33 after December 31, 2004 through December 31, 2024, to property already  
34 classified under this paragraph qualifies separately for classification and  
35 assessment under this paragraph for not more than five years.

36           (d) Property that is classified under this paragraph shall not  
37 thereafter be classified under paragraph 2, 3 or 4 of this section.

38           7. Real and personal property and improvements to the property that  
39 are used specifically and solely to manufacture from and after December 31,  
40 2006 through December 31, 2023 biodiesel fuel that is one hundred ~~per cent~~  
41 PERCENT biodiesel and its by-products or motor vehicle biofuel and its  
42 by-products and that are valued at full cash value. This paragraph applies  
43 only to the portion of property that is used specifically for manufacturing  
44 and processing one hundred ~~per cent~~ PERCENT biodiesel fuel, or its related  
45 by-products, or motor vehicle biofuel, or its related by-products, from raw

1 feedstock obtained from off-site sources, including necessary on-site storage  
2 facilities that are intrinsically associated with the manufacturing process.  
3 Any other commercial or industrial use disqualifies the entire property from  
4 classification under this paragraph. For the purposes of this paragraph,  
5 "motor vehicle biofuel" means a solid, liquid or gaseous fuel that is derived  
6 from biological material such as plant or animal matter, excluding organic  
7 material that has been transformed by geological processes into substances  
8 such as coal or petroleum or derivatives thereof, and that:

9 (a) Contains fuel additives in compliance with federal and state law.

10 (b) Is manufactured exclusively for use in a motor vehicle.

11 8. Real and personal property and improvements that are certified  
12 pursuant to section 41-1511, subsection C, paragraph 2 and that are used for  
13 renewable energy manufacturing or headquarters operations as provided by  
14 section 42-12057. This paragraph applies only to property that is used in  
15 manufacturing and headquarters operations of renewable energy companies,  
16 including necessary on-site research and development, testing and storage  
17 facilities that are associated with the manufacturing process. Up to ten ~~per~~  
18 ~~cent~~ PERCENT of the aggregate full cash value of the property may be derived  
19 from uses that are ancillary to and intrinsically associated with the  
20 manufacturing process or headquarters operation. Any additional ancillary  
21 property is not qualified for classification under this paragraph. No new  
22 properties may be classified pursuant to this paragraph from and after  
23 December 31, 2014. Classification under this paragraph is limited to the  
24 time periods determined by the Arizona commerce authority pursuant to section  
25 41-1511, subsection C, paragraph 2, subdivision (a) or (b). Property that is  
26 classified under this paragraph shall not thereafter be classified under any  
27 other paragraph of this section.

28 9. REAL AND PERSONAL PROPERTY AND IMPROVEMENTS THAT ARE USED AS AN  
29 INSTITUTION OF HIGHER EDUCATION THAT OFFERS BACCALAUREATE OR  
30 POSTBACCALAUREATE DEGREE PROGRAMS, OR BOTH, AND THAT IS ACCREDITED BY A  
31 REGIONAL OR NATIONAL ACCREDITATION AGENCY APPROVED BY THE UNITED STATES  
32 DEPARTMENT OF EDUCATION.