

State of Arizona  
Senate  
Fifty-third Legislature  
First Regular Session  
2017

**CHAPTER 7**  
**SENATE BILL 1058**

AN ACT

AMENDING SECTIONS 11-251.06, 42-5075 AND 42-6004, ARIZONA REVISED  
STATUTES; REPEALING TITLE 48, CHAPTER 38, ARIZONA REVISED STATUTES;  
RELATING TO REGIONAL ATTRACTION DISTRICTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:  
2 Section 1. Section 11-251.06, Arizona Revised Statutes, is amended  
3 to read:  
4 11-251.06. Reimbursement for county services to special  
5 districts  
6 A. Notwithstanding any other statute, the board of supervisors may  
7 require the following special districts to reimburse the county for the  
8 cost of services provided to the special districts:  
9 1. Antinoxious weed districts formed pursuant to title 48,  
10 chapter 2.  
11 2. Pest control districts formed pursuant to title 48, chapter 3.  
12 3. County improvement districts formed pursuant to title 48,  
13 chapter 6.  
14 4. County improvement districts for lighting formed pursuant to  
15 sections 48-960 and 48-961.  
16 5. Domestic water improvement districts formed pursuant to title  
17 48, chapter 6, article 4.  
18 6. County television improvement districts formed pursuant to title  
19 48, chapter 7.  
20 7. Community park maintenance districts formed pursuant to title  
21 48, chapter 8.  
22 8. Special road districts formed pursuant to title 48, chapter 10.  
23 9. Power districts formed pursuant to title 48, chapter 11.  
24 10. Electrical districts formed pursuant to title 48, chapter 12.  
25 11. Hospital districts formed pursuant to title 48, chapter 13.  
26 12. Sanitary districts formed pursuant to title 48, chapter 14.  
27 13. Pest abatement districts formed pursuant to title 48,  
28 chapter 15.  
29 14. Health service districts formed pursuant to title 48,  
30 chapter 16.  
31 15. Agricultural improvement districts formed pursuant to title 48,  
32 chapter 17.  
33 16. Drainage and flood protection districts formed pursuant to title  
34 48, chapter 18.  
35 17. Irrigation and water conservation districts formed pursuant to  
36 title 48, chapter 19.  
37 18. Irrigation water delivery districts formed pursuant to title 48,  
38 chapter 20.  
39 19. County flood control districts formed pursuant to title 48,  
40 chapter 21.  
41 20. Multi-county water conservation districts formed pursuant to  
42 title 48, chapter 22.  
43 21. County free library districts formed pursuant to title 48,  
44 chapter 24.  
45 22. County jail districts formed pursuant to title 48, chapter 25.

1 ~~23. Regional attraction districts formed pursuant to title 48,~~  
2 ~~chapter 38.~~

3 B. Fire districts formed pursuant to title 48, chapter 5 shall  
4 reimburse the county for the actual costs of organization, reorganization,  
5 boundary changes, election services, use of the county attorney and other  
6 services provided by the assessor and treasurer directly associated with  
7 county services provided to fire districts.

8 C. The board of supervisors shall establish a schedule for  
9 reimbursement of county services and shall distribute this schedule to the  
10 special districts ~~prior to~~ BEFORE providing any service named in the  
11 schedule. The schedule may include charges to newly organized special  
12 taxing districts for county services rendered to these districts before  
13 and during organization. The reimbursement schedule shall not exceed the  
14 actual costs for the services provided by the county.

15 D. If the board of supervisors requires reimbursement for county  
16 services pursuant to subsections A and C of this section, the governing  
17 body of a special district listed in subsection A of this section may  
18 elect to perform for itself any of the services provided by the county in  
19 lieu of reimbursement, except election and financial services provided by  
20 the county.

21 E. Subsection D of this section does not authorize the governing  
22 body of any of the named special districts to levy any additional taxes  
23 not otherwise specified by statute.

24 Sec. 2. Section 42-5075, Arizona Revised Statutes, is amended to  
25 read:

26 42-5075. Prime contracting classification; exemptions;  
27 definitions

28 A. The prime contracting classification is comprised of the  
29 business of prime contracting and the business of manufactured building  
30 dealer. Sales for resale to another manufactured building dealer are not  
31 subject to tax. Sales for resale do not include sales to a lessor of  
32 manufactured buildings. The sale of a used manufactured building is not  
33 taxable under this chapter.

34 B. The tax base for the prime contracting classification is  
35 sixty-five percent of the gross proceeds of sales or gross income derived  
36 from the business. The following amounts shall be deducted from the gross  
37 proceeds of sales or gross income before computing the tax base:

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

40 2. Sales and installation of groundwater measuring devices required  
41 under section 45-604 and groundwater monitoring wells required by law,  
42 including monitoring wells installed for acquiring information for a  
43 permit required by law.

44 3. The sales price of furniture, furnishings, fixtures, appliances  
45 and attachments that are not incorporated as component parts of or

1 attached to a manufactured building or the setup site. The sale of such  
2 items may be subject to the taxes imposed by article 1 of this chapter  
3 separately and distinctly from the sale of the manufactured building.

4 4. The gross proceeds of sales or gross income received from a  
5 contract entered into for the modification of any building, highway, road,  
6 railroad, excavation, manufactured building or other structure, project,  
7 development or improvement located in a military reuse zone for providing  
8 aviation or aerospace services or for a manufacturer, assembler or  
9 fabricator of aviation or aerospace products within an active military  
10 reuse zone after the zone is initially established or renewed under  
11 section 41-1531. To be eligible to qualify for this deduction, before  
12 beginning work under the contract, the prime contractor must have applied  
13 for a letter of qualification from the department of revenue.

14 5. The gross proceeds of sales or gross income derived from a  
15 contract to construct a qualified environmental technology manufacturing,  
16 producing or processing facility, as described in section 41-1514.02, and  
17 from subsequent construction and installation contracts that begin within  
18 ten years after the start of initial construction. To qualify for this  
19 deduction, before beginning work under the contract, the prime contractor  
20 must obtain a letter of qualification from the department of revenue.  
21 This paragraph shall apply for ten full consecutive calendar or fiscal  
22 years after the start of initial construction.

23 6. The gross proceeds of sales or gross income from a contract to  
24 provide for one or more of the following actions, or a contract for site  
25 preparation, constructing, furnishing or installing machinery, equipment  
26 or other tangible personal property, including structures necessary to  
27 protect exempt incorporated materials or installed machinery or equipment,  
28 and tangible personal property incorporated into the project, to perform  
29 one or more of the following actions in response to a release or suspected  
30 release of a hazardous substance, pollutant or contaminant from a facility  
31 to the environment, unless the release was authorized by a permit issued  
32 by a governmental authority:

33 (a) Actions to monitor, assess and evaluate such a release or a  
34 suspected release.

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

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

40 (d) Pumping and treatment or in situ treatment of contaminated  
41 groundwater or surface water to reduce the concentration or toxicity of a  
42 contaminant.

43 (e) The installation of structures, such as cutoff walls or caps,  
44 to contain contaminants present in groundwater or soil and prevent them

1 from reaching a location where they could threaten human health or welfare  
2 or the environment.

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

8 7. The gross proceeds of sales or gross income that is derived from  
9 a contract for the installation, assembly, repair or maintenance of  
10 machinery, equipment or other tangible personal property that is either  
11 deducted from the tax base of the retail classification under section  
12 42-5061, subsection B or that is exempt from use tax under section  
13 42-5159, subsection B and that has independent functional utility,  
14 pursuant to the following provisions:

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

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

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

23 (iii) Any activity that is related to the activities described in  
24 items (i) and (ii) of this subdivision, including inspecting the  
25 installation of or testing the machinery, equipment or other tangible  
26 personal property.

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

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

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

42 (i) Assembling the machinery, equipment or other tangible personal  
43 property.

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

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

4 (iv) Stabilizing or protecting the machinery, equipment or other  
5 tangible personal property during operation by bolting, burying or  
6 performing other similar nonpermanent connections to either real property  
7 or real property improvements.

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

11 (a) Section 42-5061, subsection A, paragraph 25, 29, 57 or 59.

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

13 (c) Section 42-5159, subsection A, paragraph 13, subdivision (a),  
14 (b), (c), (d), (e), (f), (j), (k), (m) or (n) or paragraph 54 or 56.

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

16 9. The gross proceeds of sales or gross income received from a  
17 contract for the construction of an environmentally controlled facility  
18 for the raising of poultry for the production of eggs and the sorting,  
19 cooling and packaging of eggs.

20 10. The gross proceeds of sales or gross income that is derived  
21 from a contract entered into with a person who is engaged in the  
22 commercial production of livestock, livestock products or agricultural,  
23 horticultural, viticultural or floricultural crops or products in this  
24 state for the modification of any building, highway, road, excavation,  
25 manufactured building or other structure, project, development or  
26 improvement used directly and primarily to prevent, monitor, control or  
27 reduce air, water or land pollution.

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

32 12. For taxable periods beginning from and after June 30, 2001, the  
33 gross proceeds of sales or gross income derived from a contract entered  
34 into for the construction of a residential apartment housing facility that  
35 qualifies for a federal housing subsidy for low income persons over  
36 sixty-two years of age and that is owned by a nonprofit charitable  
37 organization that has qualified under section 501(c)(3) of the internal  
38 revenue code.

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

1           14. The gross proceeds of sales or gross income derived from a  
2 contract entered into for the construction of a launch site, as defined in  
3 14 Code of Federal Regulations section 401.5.

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

8           16. The gross proceeds of sales or gross income derived from  
9 contracts to perform postconstruction treatment of real property for  
10 termite and general pest control, including ~~wood-destroying~~  
11 **WOOD-DESTROYING** organisms.

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

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

27           19. Any amount of the gross proceeds of sales or gross income  
28 attributable to development fees that are incurred in relation to a  
29 contract for construction, development or improvement of real property and  
30 that are paid by a prime contractor or subcontractor. For the purposes of  
31 this paragraph:

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

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

41           (c) "Development fees" means fees imposed to offset capital costs  
42 of providing public infrastructure, public safety or other public services  
43 to a development and authorized pursuant to section 9-463.05, section  
44 11-1102 or title 48 regardless of the jurisdiction to which the fees are  
45 paid.

1           20. The gross proceeds of sales or gross income derived from a  
2 contract entered into for the construction of a mixed waste processing  
3 facility that is located on a municipal solid waste landfill and that is  
4 constructed for the purpose of recycling solid waste or producing  
5 renewable energy from landfill waste. For the purposes of this paragraph:

6           (a) "Mixed waste processing facility" means a solid waste facility  
7 that is owned, operated or used for the treatment, processing or disposal  
8 of solid waste, recyclable solid waste, conditionally exempt small  
9 quantity generator waste or household hazardous waste. For the purposes  
10 of this subdivision, "conditionally exempt small quantity generator  
11 waste", "household hazardous waste" and "solid waste facility" have the  
12 same meanings prescribed in section 49-701, except that solid waste  
13 facility does include a site that stores, treats or processes paper,  
14 glass, wood, cardboard, household textiles, scrap metal, plastic,  
15 vegetative waste, aluminum, steel or other recyclable material.

16           (b) "Municipal solid waste landfill" has the same meaning  
17 prescribed in section 49-701.

18           (c) "Recycling" means collecting, separating, cleansing, treating  
19 and reconstituting recyclable solid waste that would otherwise become  
20 solid waste, but does not include incineration or other similar processes.

21           (d) "Renewable energy" has the same meaning prescribed in section  
22 41-1511.

23           C. Entitlement to the deduction pursuant to subsection B, paragraph  
24 7 of this section is subject to the following provisions:

25           1. A prime contractor may establish entitlement to the deduction by  
26 both:

27           (a) Marking the invoice for the transaction to indicate that the  
28 gross proceeds of sales or gross income derived from the transaction was  
29 deducted from the base.

30           (b) Obtaining a certificate executed by the purchaser indicating  
31 the name and address of the purchaser, the precise nature of the business  
32 of the purchaser, the purpose for which the purchase was made, the  
33 necessary facts to establish the deductibility of the property under  
34 section 42-5061, subsection B, and a certification that the person  
35 executing the certificate is authorized to do so on behalf of the  
36 purchaser. The certificate may be disregarded if the prime contractor has  
37 reason to believe that the information contained in the certificate is not  
38 accurate or complete.

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

42           3. The department may prescribe a form for the certificate  
43 described in paragraph 1, subdivision (b) of this subsection. The  
44 department may also adopt rules that describe the transactions with  
45 respect to which a person is not entitled to rely solely on the



1 information contained in the certificate provided in paragraph 1,  
2 subdivision (b) of this subsection but must instead obtain such additional  
3 information as required in order to be entitled to the deduction.

4 4. If a prime contractor is entitled to a deduction by complying  
5 with paragraph 1 of this subsection, the department may require the  
6 purchaser who caused the execution of the certificate to establish the  
7 accuracy and completeness of the information required to be contained in  
8 the certificate that would entitle the prime contractor to the deduction.  
9 If the purchaser cannot establish the accuracy and completeness of the  
10 information, the purchaser is liable in an amount equal to any tax,  
11 penalty and interest that the prime contractor would have been required to  
12 pay under article 1 of this chapter if the prime contractor had not  
13 complied with paragraph 1 of this subsection. Payment of the amount under  
14 this paragraph exempts the purchaser from liability for any tax imposed  
15 under article 4 of this chapter. The amount shall be treated as a  
16 transaction privilege tax to the purchaser and as tax revenues collected  
17 from the prime contractor in order to designate the distribution base for  
18 purposes of section 42-5029.

19 D. Subcontractors or others who perform modification activities are  
20 not subject to tax if they can demonstrate that the job was within the  
21 control of a prime contractor or contractors or a dealership of  
22 manufactured buildings and that the prime contractor or dealership is  
23 liable for the tax on the gross income, gross proceeds of sales or gross  
24 receipts attributable to the job and from which the subcontractors or  
25 others were paid.

26 E. Amounts received by a contractor for a project are excluded from  
27 the contractor's gross proceeds of sales or gross income derived from the  
28 business if the person who hired the contractor executes and provides a  
29 certificate to the contractor stating that the person providing the  
30 certificate is a prime contractor and is liable for the tax under article  
31 1 of this chapter. The department shall prescribe the form of the  
32 certificate. If the contractor has reason to believe that the information  
33 contained on the certificate is erroneous or incomplete, the department  
34 may disregard the certificate. If the person who provides the certificate  
35 is not liable for the tax as a prime contractor, that person is  
36 nevertheless deemed to be the prime contractor in lieu of the contractor  
37 and is subject to the tax under this section on the gross receipts or  
38 gross proceeds received by the contractor.

39 F. Every person engaging or continuing in this state in the  
40 business of prime contracting or dealership of manufactured buildings  
41 shall present to the purchaser of such prime contracting or manufactured  
42 building a written receipt of the gross income or gross proceeds of sales  
43 from such activity and shall separately state the taxes to be paid  
44 pursuant to this section.

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

7 H. For the purposes of section 42-5032.02, from and after  
8 September 30, 2013, the department shall separately account for revenues  
9 reported and collected under the prime contracting classification from any  
10 prime contractor engaged in the construction of any buildings and  
11 associated improvements that are for the benefit of a manufacturing  
12 facility. For the purposes of this subsection, "associated improvements"  
13 and "manufacturing facility" have the same meanings prescribed in section  
14 42-5032.02.

15 I. The gross proceeds of sales or gross income derived from a  
16 contract for lawn maintenance services are not subject to tax under this  
17 section if the contract does not include landscaping activities. Lawn  
18 maintenance service is a service pursuant to section 42-5061, subsection  
19 A, paragraph 1, and includes lawn mowing and edging, weeding, repairing  
20 sprinkler heads or drip irrigation heads, seasonal replacement of flowers,  
21 refreshing gravel, lawn ~~de-thatching~~ DETHATCHING, seeding winter lawns,  
22 leaf and debris collection and removal, tree or shrub pruning or clipping,  
23 garden and gravel raking and applying pesticides, as defined in section  
24 3-361, and fertilizer materials, as defined in section 3-262.

25 J. Except as provided in subsection 0 of this section, the gross  
26 proceeds of sales or gross income derived from landscaping activities are  
27 subject to tax under this section. Landscaping includes installing lawns,  
28 grading or leveling ground, installing gravel or boulders, planting trees  
29 and other plants, felling trees, removing or mulching tree stumps,  
30 removing other imbedded plants, building irrigation berms, installing  
31 railroad ties and installing underground sprinkler or watering systems.

32 K. The portion of gross proceeds of sales or gross income  
33 attributable to the actual direct costs of providing architectural or  
34 engineering services that are incorporated in a contract is not subject to  
35 tax under this section. For the purposes of this subsection, "direct  
36 costs" means the portion of the actual costs that are directly expended in  
37 providing architectural or engineering services.

38 L. Operating a landfill or a solid waste disposal facility is not  
39 subject to taxation under this section, including filling, compacting and  
40 creating vehicle access to and from cell sites within the landfill.  
41 Constructing roads to a landfill or solid waste disposal facility and  
42 constructing cells within a landfill or solid waste disposal facility may  
43 be deemed prime contracting under this section.

44 M. The following apply in determining the taxable situs of sales of  
45 manufactured buildings:

1           1. For sales in this state where the manufactured building dealer  
2 contracts to deliver the building to a setup site or to perform the setup  
3 in this state, the taxable situs is the setup site.

4           2. For sales in this state where the manufactured building dealer  
5 does not contract to deliver the building to a setup site or does not  
6 perform the setup, the taxable situs is the location of the dealership  
7 where the building is delivered to the buyer.

8           3. For sales in this state where the manufactured building dealer  
9 contracts to deliver the building to a setup site that is outside this  
10 state, the situs is outside this state and the transaction is excluded  
11 from tax.

12           N. The gross proceeds of sales or gross income attributable to a  
13 written contract for design phase services or professional services,  
14 executed before modification begins and with terms, conditions and pricing  
15 of all of these services separately stated in the contract from those for  
16 construction phase services, is not subject to tax under this section,  
17 regardless of whether the services are provided sequential to or  
18 concurrent with prime contracting activities that are subject to tax under  
19 this section. This subsection does not include the gross proceeds of  
20 sales or gross income attributable to construction phase services. For  
21 the purposes of this subsection:

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

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

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

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

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

38           (ii) The amount of an adjustment, if any, to the guaranteed maximum  
39 price as set in the contract for modification work. For the purposes of  
40 this item, "guaranteed maximum price" means the amount guaranteed to be  
41 the maximum amount due to a prime contractor for the performance of all  
42 modification work for the project.

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

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

6 (e) Inspection to determine the dates of substantial completion or  
7 final completion.

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

14 (g) Preparation of status reports after modification work has begun  
15 detailing the progress of work performed, including preparation of any of  
16 the following:

17 (i) Master schedule updates.

18 (ii) Modification work cash flow projection updates.

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

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

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

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

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

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

32 2. "Design phase services" means services for developing and  
33 completing a design for a project that are not construction phase  
34 services, including the following:

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

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

41 (c) Preparing drawings and specifications for architectural program  
42 documents, schematic design documents, design development documents,  
43 modification work documents or documents that identify the scope of or  
44 materials for the project.

1 (d) Preparing an initial schedule for the project, excluding the  
2 preparation of updates to the master schedule after modification work has  
3 begun.

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

7 (i) Labor, materials, machinery and equipment, tools, water, heat,  
8 utilities, transportation and other facilities and services used in the  
9 execution and completion of modification work, regardless of whether they  
10 are temporary or permanent or whether they are incorporated in the  
11 modifications.

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

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

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

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

22 (vi) Any bond and insurance premiums.

23 (vii) Any applicable taxes.

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

26 (f) Reviewing and evaluating cost estimates and project documents  
27 to prepare recommendations on site use, site improvements, selection of  
28 materials, building systems and equipment, modification feasibility,  
29 availability of materials and labor, local modification activity as  
30 related to schedules and time requirements for modification work.

31 (g) Preparing the plan and procedures for selection of  
32 subcontractors, including any prequalification of subcontractor  
33 candidates.

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

39 0. The gross proceeds of sales or gross income derived from a  
40 contract with the owner of real property or improvements to real property  
41 for the maintenance, repair, replacement or alteration of existing  
42 property is not subject to tax under this section if the contract does not  
43 include modification activities, except as specified in this subsection.  
44 The gross proceeds of sales or gross income derived from a de minimis  
45 amount of modification activity does not subject the contract or any part

1 of the contract to tax under this section. For the purposes of this  
2 subsection:

3 1. Tangible personal property that is incorporated or fabricated  
4 into a project described in this subsection may be subject to the amount  
5 prescribed in section 42-5008.01.

6 2. Each contract is independent of any other contract, except that  
7 any change order that directly relates to the scope of work of the  
8 original contract shall be treated the same as the original contract under  
9 this chapter, regardless of the amount of modification activities included  
10 in the change order. If a change order does not directly relate to the  
11 scope of work of the original contract, the change order shall be treated  
12 as a new contract, with the tax treatment of any subsequent change order  
13 to follow the tax treatment of the contract to which the scope of work of  
14 the subsequent change order directly relates.

15 P. Notwithstanding subsection O of this section, a contract that  
16 primarily involves surface or subsurface improvements to land and that is  
17 subject to title 28, chapter 19, 20 or 22 or title 34, chapter 2 or 6 is  
18 taxable under this section, even if the contract also includes vertical  
19 improvements. Agencies that are subject to procurement processes under  
20 those provisions shall include in the request for proposals a notice to  
21 bidders when those projects are subject to this section. This subsection  
22 does not apply to contracts with:

23 1. Community facilities districts, fire districts, county  
24 television improvement districts, community park maintenance districts,  
25 cotton pest control districts, hospital districts, pest abatement  
26 districts, health service districts, agricultural improvement districts,  
27 county free library districts, county jail districts, county stadium  
28 districts, special health care districts, public health services  
29 districts, theme park districts, ~~regional attraction districts~~ or  
30 revitalization districts.

31 2. Any special taxing district not specified in paragraph 1 of this  
32 subsection if the district does not substantially engage in the  
33 modification, maintenance, repair, replacement or alteration of surface or  
34 subsurface improvements to land.

35 Q. Notwithstanding subsection R, paragraph 10 of this section, a  
36 person owning real property who enters into a contract for sale of the  
37 real property, who is responsible to the new owner of the property for  
38 modifications made to the property in the period subsequent to the  
39 transfer of title and who receives a consideration for the modifications  
40 is considered a prime contractor solely for purposes of taxing the gross  
41 proceeds of sale or gross income received for the modifications made  
42 subsequent to the transfer of title. The original owner's gross proceeds  
43 of sale or gross income received for the modifications shall be determined  
44 according to the following methodology:

1           1. If any part of the contract for sale of the property specifies  
2 amounts to be paid to the original owner for the modifications to be made  
3 in the period subsequent to the transfer of title, the amounts are  
4 included in the original owner's gross proceeds of sale or gross income  
5 under this section. Proceeds from the sale of the property that are  
6 received after transfer of title and that are unrelated to the  
7 modifications made subsequent to the transfer of title are not considered  
8 gross proceeds of sale or gross income from the modifications.

9           2. If the original owner enters into an agreement separate from the  
10 contract for sale of the real property providing for amounts to be paid to  
11 the original owner for the modifications to be made in the period  
12 subsequent to the transfer of title to the property, the amounts are  
13 included in the original owner's gross proceeds of sale or gross income  
14 received for the modifications made subsequent to the transfer of title.

15           3. If the original owner is responsible to the new owner for  
16 modifications made to the property in the period subsequent to the  
17 transfer of title and derives any gross proceeds of sale or gross income  
18 from the project subsequent to the transfer of title other than a delayed  
19 disbursement from escrow unrelated to the modifications, it is presumed  
20 that the amounts are received for the modifications made subsequent to the  
21 transfer of title unless the contrary is established by the owner through  
22 its books, records and papers kept in the regular course of business.

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

25           R. For the purposes of this section:

26           1. "Alteration" means an activity or action that causes a direct  
27 physical change to existing property. For the purposes of this paragraph:

28           (a) For existing property that is properly classified as class two  
29 property under section 42-12002, paragraph 1, subdivision (c) or paragraph  
30 2, subdivision (c) and that is used for residential purposes, class three  
31 property under section 42-12003 or class four property under **SECTION**  
32 42-12004, this paragraph does not apply if the contract amount is more  
33 than twenty-five percent of the most recent full cash value established  
34 under chapter 13, article 2 of this title as of the date of any bid for  
35 the work or the date of the contract, whichever value is higher.

36           (b) For all existing property other than existing property  
37 described in subdivision (a) of this paragraph, this paragraph does not  
38 apply if any of the following is true:

39           (i) The contract amount is more than seven hundred fifty thousand  
40 dollars.

41           (ii) The scope of work directly relates to more than forty percent  
42 of the existing square footage of the existing property.

43           (iii) The scope of work involves expanding the square footage of  
44 more than ten percent of the existing property.

1 (c) Project elements may not be artificially separated from a  
2 contract to cause a project to qualify as an alteration. The department  
3 has the burden of proof that project elements have been artificially  
4 separated from a contract.

5 (d) If a project for which the owner and the person performing the  
6 work reasonably believed, at the inception of the contract, would be  
7 treated as an alteration under this paragraph and, on completion of the  
8 project, the project exceeded the applicable threshold described in either  
9 subdivision (a) or (b) of this paragraph by no more than twenty-five  
10 percent of the applicable threshold for any reason, the work performed  
11 under the contract qualifies as an alteration.

12 (e) A change order that directly relates to the scope of work of  
13 the original contract shall be treated as part of the original contract,  
14 and the contract amount shall include any amount attributable to a change  
15 order that directly relates to the scope of work of the original contract.

16 (f) Alteration does not include maintenance, repair or replacement.

17 2. "Contracting" means engaging in business as a contractor.

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

29 4. "Manufactured building" means a manufactured home, mobile home  
30 or factory-built building, as defined in section 41-4001.

31 5. "Manufactured building dealer" means a dealer who either:

32 (a) Is licensed pursuant to title 41, chapter 37, article 4 and who  
33 sells manufactured buildings to the final consumer.

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

38 6. "Modification" means construction, grading and leveling ground,  
39 wreckage or demolition. Modification does not include:

40 (a) Any project described in subsection 0 of this section.

41 (b) Any wreckage or demolition of existing property, or any other  
42 activity that is a necessary component of a project described in  
43 subsection 0 of this section.

44 (c) Any mobilization or demobilization related to a project  
45 described in subsection 0 of this section, such as the erection or removal



1 of temporary facilities to be used by those persons working on the  
2 project.

3 7. "Modify" means to make a modification or cause a modification to  
4 be made.

5 8. "Owner" means the person that holds title to the real property  
6 or improvements to real property that is the subject of the work, as well  
7 as an agent of the title holder and any person with the authority to  
8 perform or authorize work on the real property or improvements, including  
9 a tenant and a property manager. For the purposes of subsection O of this  
10 section, a person who is hired by a general contractor that is hired by an  
11 owner, or a subcontractor of a general contractor that is hired by an  
12 owner, is considered to be hired by the owner.

13 9. "Prime contracting" means engaging in business as a prime  
14 contractor.

15 10. "Prime contractor" means a contractor who supervises, performs  
16 or coordinates the modification of any building, highway, road, railroad,  
17 excavation, manufactured building or other structure, project, development  
18 or improvement, including the contracting, if any, with any subcontractors  
19 or specialty contractors and who is responsible for the completion of the  
20 contract. Except as provided in subsections E and Q of this section, a  
21 person who owns real property, who engages one or more contractors to  
22 modify that real property and who does not itself modify that real  
23 property is not a prime contractor within the meaning of this paragraph  
24 regardless of the existence of a contract for sale or the subsequent sale  
25 of that real property.

26 11. "Replacement" means the removal from service of one component  
27 or system of existing property or tangible personal property installed in  
28 existing property, including machinery or equipment, and the installation  
29 of a new component or system or new tangible personal property, including  
30 machinery or equipment, that provides the same, A similar or AN upgraded  
31 design or functionality, regardless of the contract amount and regardless  
32 of whether the existing component or system or existing tangible personal  
33 property is physically removed from the existing property.

34 12. "Sale of a used manufactured building" does not include a lease  
35 of a used manufactured building.

36 Sec. 3. Section 42-6004, Arizona Revised Statutes, is amended to  
37 read:

38 42-6004. Exemption from municipal tax; definitions

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

41 1. Exhibition events in this state sponsored, conducted or operated  
42 by a nonprofit organization that is exempt from taxation under section  
43 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the  
44 organization is associated with a major league baseball team or a national  
45 touring professional golfing association and no part of the organization's

1 net earnings inures to the benefit of any private shareholder or  
2 individual.

3 2. Interstate telecommunications services, which include that  
4 portion of telecommunications services, such as subscriber line service,  
5 allocable by federal law to interstate telecommunications service.

6 3. Sales of warranty or service contracts.

7 4. Sales of motor vehicles to nonresidents of this state for use  
8 outside this state if the motor vehicle dealer ships or delivers the motor  
9 vehicle to a destination outside this state.

10 5. Interest on finance contracts.

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

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

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

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

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

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

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

39 11. Leasing real property between affiliated companies, businesses,  
40 persons or reciprocal insurers. For the purposes of this paragraph:

41 (a) "Affiliated companies, businesses, persons or reciprocal  
42 insurers" means the lessor holds a controlling interest in the lessee, the  
43 lessee holds a controlling interest in the lessor, affiliated persons hold  
44 a controlling interest in both the lessor and the lessee, or an unrelated  
45 person holds a controlling interest in both the lessor and lessee.

1 (b) "Affiliated persons" means members of the individual's family  
2 or persons who have ownership or control of a business entity.

3 (c) "Controlling interest" means direct or indirect ownership of at  
4 least eighty percent of the voting shares of a corporation or of the  
5 interests in a company, business or person other than a corporation.

6 (d) "Members of the individual's family" means the individual's  
7 spouse and brothers and sisters, whether by whole or half blood, including  
8 adopted persons, ancestors and lineal descendants.

9 (e) "Reciprocal insurer" has the same meaning prescribed in section  
10 20-762.

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

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

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

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

24 (iii) Any activity that is related to the activities described in  
25 items (i) and (ii) of this subdivision, including inspecting the  
26 installation of or testing the machinery, equipment or other tangible  
27 personal property.

28 (b) The deduction provided in this paragraph does not include gross  
29 proceeds of sales or gross income from the portion of any contracting  
30 activity that consists of the development of, or modification to, real  
31 property in order to facilitate the installation, assembly, repair,  
32 maintenance or removal of machinery, equipment or other tangible personal  
33 property described in section 42-5061, subsection B.

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

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

41 (i) Assembling the machinery, equipment or other tangible personal  
42 property.

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

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

4 (iv) Stabilizing or protecting the machinery, equipment or other  
5 tangible personal property during operation by bolting, burying or  
6 performing other dissimilar nonpermanent connections to either real  
7 property or real property improvements.

8 13. The leasing or renting of certified ignition interlock devices  
9 installed pursuant to the requirements prescribed by section 28-1461. For  
10 the purposes of this paragraph, "certified ignition interlock device" has  
11 the same meaning prescribed in section 28-1301.

12 14. Computer data center equipment sold to the owner, operator or  
13 qualified colocation tenant of a computer data center that is certified by  
14 the Arizona commerce authority under section 41-1519 or an authorized  
15 agent of the owner, operator or qualified colocation tenant during the  
16 qualification period for use in the qualified computer data center. For  
17 the purposes of this paragraph, "computer data center", "computer data  
18 center equipment", "qualification period" and "qualified colocation  
19 tenant" have the same meanings prescribed in section 41-1519.

20 15. The gross proceeds of sales or gross income derived from a  
21 contract with the owner of real property or improvements to real property  
22 for the maintenance, repair, replacement or alteration of existing  
23 property, except as specified in this paragraph. The gross proceeds of  
24 sales or gross income derived from a de minimis amount of modification  
25 activity does not subject the contract or any part of the contract to tax.  
26 For the purposes of this paragraph:

27 (a) Each contract is independent of another contract, except that  
28 any change order that directly relates to the scope of work of the  
29 original contract shall be treated the same as the original contract under  
30 this paragraph, regardless of the amount of modification activities  
31 included in the change order. If a change order does not directly relate  
32 to the scope of work of the original contract, the change order shall be  
33 treated as a new contract, with the tax treatment of any subsequent change  
34 order to follow the tax treatment of the contract to which the scope of  
35 work of the subsequent change order directly relates.

36 (b) Any term not defined in this paragraph that is defined in  
37 section 42-5075 has the same meaning prescribed in section 42-5075.

38 (c) This paragraph does not apply to a contract that primarily  
39 involves surface or subsurface improvements to land and that is subject to  
40 title 28, chapter 19, 20 or 22 or title 34, chapter 2 or 6 even if the  
41 contract also includes vertical improvements. If a city or town imposes a  
42 tax on contracts that are subject to procurement processes under those  
43 provisions, the city or town shall include in the request for proposals a  
44 notice to bidders when those projects are subject to the tax. This  
45 subdivision does not apply to contracts with:

1 (i) Community facilities districts, fire districts, county  
2 television improvement districts, community park maintenance districts,  
3 cotton pest control districts, hospital districts, pest abatement  
4 districts, health service districts, agricultural improvement districts,  
5 county free library districts, county jail districts, county stadium  
6 districts, special health care districts, public health services  
7 districts, theme park districts, ~~regional attraction districts~~ or  
8 revitalization districts.

9 (ii) Any special taxing district not specified in item (i) of this  
10 subdivision if the district does not substantially engage in the  
11 modification, maintenance, repair, replacement or alteration of surface or  
12 subsurface improvements to land.

13 16. Monitoring services relating to an alarm system as defined in  
14 section 32-101.

15 17. Tangible personal property, job printing or publications sold to  
16 or purchased by, or tangible personal property leased, rented or licensed  
17 for use to or by, a qualifying health sciences educational institution as  
18 defined in section 42-5001.

19 18. The transfer of title or possession of coal back and forth  
20 between an owner or operator of a power plant and a person who is  
21 responsible for refining coal if both of the following apply:

22 (a) The transfer of title or possession of the coal is for the  
23 purpose of refining the coal.

24 (b) The title or possession of the coal is transferred back to the  
25 owner or operator of the power plant after completion of the coal refining  
26 process. For the purposes of this subdivision, "coal refining process"  
27 means the application of a coal additive system that aids the reduction of  
28 power plant emissions during the combustion of coal and the treatment of  
29 flue gas.

30 19. The gross proceeds of sales or gross income from sales of low or  
31 reduced cost articles of food or drink to eligible elderly or homeless  
32 persons or persons with a disability by a business subject to tax under  
33 section 42-5074 that contracts with the department of economic security  
34 and that is approved by the food and nutrition service of the United  
35 States department of agriculture pursuant to the supplemental nutrition  
36 assistance program established by the food and nutrition act of 2008 (P.L.  
37 110-246; 122 Stat. 1651; 7 United States Code sections 2011 through  
38 2036a), if the purchases are made with the benefits issued pursuant to the  
39 supplemental nutrition assistance program.

40 20. Tangible personal property incorporated or fabricated into a  
41 project described in paragraph 15 of this subsection, that is located  
42 within the exterior boundaries of an Indian reservation for which the  
43 owner, as defined in section 42-5075, of the project is an Indian tribe or  
44 an affiliated Indian. For the purposes of this paragraph:

1 (a) "Affiliated Indian" means an individual native American Indian  
2 who is duly registered on the tribal rolls of the Indian tribe for whose  
3 benefit the Indian reservation was established.

4 (b) "Indian reservation" means all lands that are within the limits  
5 of areas set aside by the United States for the exclusive use and  
6 occupancy of an Indian tribe by treaty, law or executive order and that  
7 are recognized as Indian reservations by the United States department of  
8 the interior.

9 (c) "Indian tribe" means any organized nation, tribe, band or  
10 community that is recognized as an Indian tribe by the United States  
11 department of the interior and includes any entity formed under the laws  
12 of that Indian tribe.

13 21. The charges for the leasing or renting of space to make  
14 attachments to utility poles as follows:

15 (a) By a person that is engaged in the business of providing or  
16 furnishing electrical services or telecommunication services or that is a  
17 cable operator.

18 (b) To a person that is engaged in the business of providing or  
19 furnishing electrical services or telecommunication services or that is a  
20 cable operator.

21 22. Until March 1, 2017, the gross proceeds of sales or gross  
22 income derived from entry fees paid by participants for events that  
23 consist of a run, walk, swim or bicycle ride or a similar event, or any  
24 combination of these events.

25 23. The gross proceeds of sales or gross income derived from entry  
26 fees paid by participants for events that are operated or conducted by  
27 nonprofit organizations that are exempt from taxation under section  
28 501(c)(3) of the internal revenue code and of which no part of the  
29 organization's net earnings inures to the benefit of any private  
30 shareholder or individual, if the event consists of a run, walk, swim or  
31 bicycle ride or a similar event, or any combination of these events.

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

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

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

43 2. Leasing, renting or licensing a motor vehicle subject to and on  
44 which the fee has been paid under title 28, chapter 16, article 4.

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

6           4. Incarcerating or detaining in a privately operated prison, jail  
7 or detention facility prisoners who are under the jurisdiction of the  
8 United States, this state or any other state or a political subdivision of  
9 this state or of any other state.

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

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

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

19           (b) The attributable amount is equal to the total amount of  
20 development fees paid by the taxpayer or by a contractor providing  
21 services to the taxpayer and the total development fees credited in  
22 exchange for the construction of, contribution to or dedication of real  
23 property for providing public infrastructure, public safety or other  
24 public services necessary to the development. The real property must be  
25 the subject of the development fees.

26           (c) "Development fees" means fees imposed to offset capital costs  
27 of providing public infrastructure, public safety or other public services  
28 to a development and authorized pursuant to section 9-463.05, section  
29 11-1102 or title 48 regardless of the jurisdiction to which the fees are  
30 paid.

31          7. Any amount attributable to fees collected by transportation  
32 network companies issued a permit pursuant to section 28-9552.

33          8. Transporting for hire persons by transportation network company  
34 drivers on transactions involving transportation network services as  
35 defined in section 28-9551.

36          9. Transporting for hire persons by vehicle for hire companies that  
37 are issued permits pursuant to section 28-9503.

38          10. Transporting for hire persons by vehicle for hire drivers on  
39 transactions involving vehicle for hire services as defined in section  
40 28-9501.

41          D. A city, town or other taxing jurisdiction shall not levy a  
42 transaction privilege, sales, use, franchise or other similar tax or fee,  
43 however denominated, in excess of one-tenth of one percent of the value of  
44 the entire product mined, smelted, extracted, refined, produced or  
45 prepared for sale, profit or commercial use, on persons engaged in the

1 business of mineral processing, except to the extent that the tax is  
2 computed on the gross proceeds or gross income from sales at retail.

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

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

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

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

13 G. For the purposes of this section:

14 1. "Cable operator" has the same meaning prescribed in section  
15 9-505.

16 2. "Electrical services" means transmitting or distributing  
17 electricity, electric lights, current or power over lines, wires or  
18 cables.

19 3. "Telecommunication services" means transmitting or relaying  
20 sound, visual image, data, information, images or material over lines,  
21 wires or cables by radio signal, light beam, telephone, telegraph or other  
22 electromagnetic means.

23 4. "Utility pole" means any wooden, metal or other pole used for  
24 utility purposes and the pole's appurtenances that are attached or  
25 authorized for attachment by the person controlling the pole.

26 Sec. 4. Repeal

27 Title 48, chapter 38, Arizona Revised Statutes, is repealed.

APPROVED BY THE GOVERNOR MARCH 14, 2017.

FILED IN THE OFFICE OF THE SECRETARY OF STATE MARCH 14, 2017.