

State of Arizona  
Senate  
Fifty-third Legislature  
Second Regular Session  
2018

**CHAPTER 249**  
**SENATE BILL 1120**

AN ACT

AMENDING SECTIONS 42-5061, 42-5069, 42-5073, 42-5074, 42-5159 AND 42-6004,  
ARIZONA REVISED STATUTES; RELATING TO STATE AND LOCAL TRANSACTION  
PRIVILEGE AND USE TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 42-5061, Arizona Revised Statutes, is amended to  
3 read:

4 **42-5061. *Retail classification: definitions***

5 A. The retail classification is comprised of the business of  
6 selling tangible personal property at retail. The tax base for the retail  
7 classification is the gross proceeds of sales or gross income derived from  
8 the business. The tax imposed on the retail classification does not apply  
9 to the gross proceeds of sales or gross income from:

10 1. Professional or personal service occupations or businesses that  
11 involve sales or transfers of tangible personal property only as  
12 inconsequential elements.

13 2. Services rendered in addition to selling tangible personal  
14 property at retail.

15 3. Sales of warranty or service contracts. The storage, use or  
16 consumption of tangible personal property provided under the conditions of  
17 such contracts is subject to tax under section 42-5156.

18 4. Sales of tangible personal property by any nonprofit  
19 organization organized and operated exclusively for charitable purposes  
20 and recognized by the United States internal revenue service under section  
21 501(c)(3) of the internal revenue code.

22 5. Sales to persons engaged in business classified under the  
23 restaurant classification of articles used by human beings for food, drink  
24 or condiment, whether simple, mixed or compounded.

25 6. Business activity that is properly included in any other  
26 business classification that is taxable under this article.

27 7. The sale of stocks and bonds.

28 8. Drugs and medical oxygen, including delivery hose, mask or tent,  
29 regulator and tank, on the prescription of a member of the medical, dental  
30 or veterinarian profession who is licensed by law to administer such  
31 substances.

32 9. Prosthetic appliances as defined in section 23-501 and as  
33 prescribed or recommended by a health professional who is licensed  
34 pursuant to title 32, chapter 7, 8, 11, 13, 14, 15, 16, 17 or 29.

35 10. Insulin, insulin syringes and glucose test strips.

36 11. Prescription eyeglasses or contact lenses.

37 12. Hearing aids as defined in section 36-1901.

38 13. Durable medical equipment that has a centers for medicare and  
39 medicaid services common procedure code, is designated reimbursable by  
40 medicare, is prescribed by a person who is licensed under title 32,  
41 chapter 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is  
42 primarily and customarily used to serve a medical purpose, is generally  
43 not useful to a person in the absence of illness or injury and is  
44 appropriate for use in the home.

1       14. Sales of motor vehicles to nonresidents of this state for use  
2 outside this state if the motor vehicle dealer ships or delivers the motor  
3 vehicle to a destination out of this state.

4       15. Food, as provided in and subject to the conditions of article 3  
5 of this chapter and section 42-5074.

6       16. Items purchased with United States department of agriculture  
7 food stamp coupons issued under the food stamp act of 1977 (P.L. 95-113;  
8 91 Stat. 958) or food instruments issued under section 17 of the child  
9 nutrition act (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42  
10 United States Code section 1786).

11      17. Textbooks by any bookstore that are required by any state  
12 university or community college.

13      18. Food and drink to a person that is engaged in a business that  
14 is classified under the restaurant classification and that provides such  
15 food and drink without monetary charge to its employees for their own  
16 consumption on the premises during the employees' hours of employment.

17      19. Articles of food, drink or condiment and accessory tangible  
18 personal property to a school district or charter school if such articles  
19 and accessory tangible personal property are to be prepared and served to  
20 persons for consumption on the premises of a public school within the  
21 district or on the premises of the charter school during school hours.

22      20. Lottery tickets or shares pursuant to title 5, chapter 5.1,  
23 article 1.

24      21. The sale of cash equivalents and the sale of precious metal  
25 bullion and monetized bullion to the ultimate consumer, but the sale of  
26 coins or other forms of money for manufacture into jewelry or works of art  
27 is subject to the tax and the gross proceeds of sales or gross income  
28 derived from the redemption of any cash equivalent by the holder as a  
29 means of payment for goods or services that are taxable under this article  
30 is subject to the tax. For the purposes of this paragraph:

31       (a) "Cash equivalents" means items or intangibles, whether or not  
32 negotiable, that are sold to one or more persons, through which a value  
33 denominated in money is purchased in advance and may be redeemed in full  
34 or in part for tangible personal property, intangibles or services. Cash  
35 equivalents include gift cards, stored value cards, gift certificates,  
36 vouchers, traveler's checks, money orders or other instruments, orders or  
37 electronic mechanisms, such as an electronic code, personal identification  
38 number or digital payment mechanism, or any other prepaid intangible right  
39 to acquire tangible personal property, intangibles or services in the  
40 future, whether from the seller of the cash equivalent or from another  
41 person. Cash equivalents do not include either of the following:

42       (i) Items or intangibles that are sold to one or more persons,  
43 through which a value is not denominated in money.

44       (ii) Prepaid calling cards or prepaid authorization numbers for  
45 telecommunications services made taxable by subsection P of this section.

1       (b) "Monetized bullion" means coins and other forms of money that  
2 are manufactured from gold, silver or other metals and that have been or  
3 are used as a medium of exchange in this or another state, the United  
4 States or a foreign nation.

5 (c) "Precious metal bullion" means precious metal, including gold,  
6 silver, platinum, rhodium and palladium, that has been smelted or refined  
7 so that its value depends on its contents and not on its form.

8           22. Motor vehicle fuel and use fuel that are subject to a tax  
9 imposed under title 28, chapter 16, article 1, sales of use fuel to a  
10 holder of a valid single trip use fuel tax permit issued under section  
11 28-5739, sales of aviation fuel that are subject to the tax imposed under  
12 section 28-8344 and sales of jet fuel that are subject to the tax imposed  
13 under article 8 of this chapter.

14           23. Tangible personal property sold to a person engaged in the  
15 business of leasing or renting such property under the personal property  
16 rental classification if such property is to be leased or rented by such  
17 person.

18           24. Tangible personal property sold in interstate or foreign  
19 commerce if prohibited from being so taxed by the constitution of the  
20 United States or the constitution of this state.

21 25. Tangible personal property sold to:

22 (a) A qualifying hospital as defined in section 42-5001.

23 (b) A qualifying health care organization as defined in section  
24 42-5001 if the tangible personal property is used by the organization  
25 solely to provide health and medical related educational and charitable  
26 services.

27 (c) A qualifying health care organization as defined in section  
28 42-5001 if the organization is dedicated to providing educational,  
29 therapeutic, rehabilitative and family medical education training for  
30 blind and visually impaired children and children with multiple  
31 disabilities from the time of birth to age twenty-one.

32 (d) A qualifying community health center as defined in section  
33 42-5001.

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

37 (f) For taxable periods beginning from and after June 30, 2001, a  
38 nonprofit charitable organization that has qualified under section  
39 501(c)(3) of the internal revenue code and that provides residential  
40 apartment housing for low income persons over sixty-two years of age in a  
41 facility that qualifies for a federal housing subsidy, if the tangible  
42 personal property is used by the organization solely to provide  
43 residential apartment housing for low income persons over sixty-two years  
44 of age in a facility that qualifies for a federal housing subsidy.

(g) A qualifying health sciences educational institution as defined in section 42-5001.

(h) Any person representing or working on behalf of another person described in subdivisions (a) through (g) of this paragraph if the tangible personal property is incorporated or fabricated into a project described in section 42-5075, subsection 0.

26. Magazines or other periodicals or other publications by this state to encourage tourist travel.

27. Tangible personal property sold to:

(a) A person that is subject to tax under this article by reason of being engaged in business classified under section 42-5075 or to a subcontractor working under the control of a person engaged in business classified under section 42-5075, if the property so sold is any of the following:

(i) Incorporated or fabricated by the person into any real property, structure, project, development or improvement as part of the business.

(ii) Incorporated or fabricated by the person into any project described in section 42-5075, subsection 0.

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

(b) A person that is not subject to tax under section 42-5075 and that has been provided a copy of a certificate under section 42-5009, subsection L, if the property so sold is incorporated or fabricated by the person into the real property, structure, project, development or improvement described in the certificate.

28. The sale of a motor vehicle to:

(a) A nonresident of this state if the purchaser's state of residence does not allow a corresponding use tax exemption to the tax imposed by article 1 of this chapter and if the nonresident has secured a special ninety day nonresident registration permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01.

(b) An enrolled member of an Indian tribe who resides on the Indian reservation established for that tribe.

29. Tangible personal property purchased in this state by a nonprofit charitable organization that has qualified under section 501(c)(3) of the United States internal revenue code and that engages in and uses such property exclusively in programs for persons with mental or physical disabilities if the programs are exclusively for training, job placement, rehabilitation or testing.

30. Sales of tangible personal property by a nonprofit organization that is exempt from taxation under section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the organization is associated with a major league baseball team or a national touring professional golfing association and no part of the organization's net earnings inures

1 to the benefit of any private shareholder or individual. THIS PARAGRAPH  
2 DOES NOT APPLY TO AN ORGANIZATION THAT IS OWNED, MANAGED OR CONTROLLED, IN  
3 WHOLE OR IN PART, BY A MAJOR LEAGUE BASEBALL TEAM, OR ITS OWNERS,  
4 OFFICERS, EMPLOYEES OR AGENTS, OR BY A MAJOR LEAGUE BASEBALL ASSOCIATION  
5 OR PROFESSIONAL GOLFING ASSOCIATION, OR ITS OWNERS, OFFICERS, EMPLOYEES OR  
6 AGENTS, UNLESS THE ORGANIZATION CONDUCTED OR OPERATED EXHIBITION EVENTS IN  
7 THIS STATE BEFORE JANUARY 1, 2018 THAT WERE EXEMPT FROM TAXATION UNDER  
8 SECTION 42-5073.

9 31. Sales of commodities, as defined by title 7 United States Code  
10 section 2, that are consigned for resale in a warehouse in this state in  
11 or from which the commodity is deliverable on a contract for future  
12 delivery subject to the rules of a commodity market regulated by the  
13 United States commodity futures trading commission.

14 32. Sales of tangible personal property by a nonprofit organization  
15 that is exempt from taxation under section 501(c)(3), 501(c)(4),  
16 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code if the  
17 organization sponsors or operates a rodeo featuring primarily farm and  
18 ranch animals and no part of the organization's net earnings inures to the  
19 benefit of any private shareholder or individual.

20 33. Sales of seeds, seedlings, roots, bulbs, cuttings and other  
21 propagative material to persons who use those items to commercially  
22 produce agricultural, horticultural, viticultural or floricultural crops  
23 in this state.

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

29 35. Sales of natural gas or liquefied petroleum gas used to propel  
30 a motor vehicle.

31 36. Paper machine clothing, such as forming fabrics and dryer  
32 felts, sold to a paper manufacturer and directly used or consumed in paper  
33 manufacturing.

34 37. Coal, petroleum, coke, natural gas, virgin fuel oil and  
35 electricity sold to a qualified environmental technology manufacturer,  
36 producer or processor as defined in section 41-1514.02 and directly used  
37 or consumed in the generation or provision of on-site power or energy  
38 solely for environmental technology manufacturing, producing or processing  
39 or environmental protection. This paragraph shall apply for twenty full  
40 consecutive calendar or fiscal years from the date the first paper  
41 manufacturing machine is placed in service. In the case of an  
42 environmental technology manufacturer, producer or processor who does not  
43 manufacture paper, the time period shall begin with the date the first  
44 manufacturing, processing or production equipment is placed in service.

1       38. Sales of liquid, solid or gaseous chemicals used in  
2 manufacturing, processing, fabricating, mining, refining, metallurgical  
3 operations, research and development and, beginning on January 1, 1999,  
4 printing, if using or consuming the chemicals, alone or as part of an  
5 integrated system of chemicals, involves direct contact with the materials  
6 from which the product is produced for the purpose of causing or  
7 permitting a chemical or physical change to occur in the materials as part  
8 of the production process. This paragraph does not include chemicals that  
9 are used or consumed in activities such as packaging, storage or  
10 transportation but does not affect any deduction for such chemicals that  
11 is otherwise provided by this section. For the purposes of this  
12 paragraph, "printing" means a commercial printing operation and includes  
13 job printing, engraving, embossing, copying and bookbinding.

14      39. Through December 31, 1994, personal property liquidation  
15 transactions, conducted by a personal property liquidator. From and after  
16 December 31, 1994, personal property liquidation transactions shall be  
17 taxable under this section provided that nothing in this subsection shall  
18 be construed to authorize the taxation of casual activities or  
19 transactions under this chapter. For the purposes of this paragraph:

20       (a) "Personal property liquidation transaction" means a sale of  
21 personal property made by a personal property liquidator acting solely on  
22 behalf of the owner of the personal property sold at the dwelling of the  
23 owner or on the death of any owner, on behalf of the surviving spouse, if  
24 any, any devisee or heir or the personal representative of the estate of  
25 the deceased, if one has been appointed.

26       (b) "Personal property liquidator" means a person who is retained  
27 to conduct a sale in a personal property liquidation transaction.

28      40. Sales of food, drink and condiment for consumption within the  
29 premises of any prison, jail or other institution under the jurisdiction  
30 of the state department of corrections, the department of public safety,  
31 the department of juvenile corrections or a county sheriff.

32      41. A motor vehicle and any repair and replacement parts and  
33 tangible personal property becoming a part of such motor vehicle sold to a  
34 motor carrier who is subject to a fee prescribed in title 28, chapter 16,  
35 article 4 and who is engaged in the business of leasing or renting such  
36 property.

37      42. Sales of:

38       (a) Livestock and poultry to persons engaging in the businesses of  
39 farming, ranching or producing livestock or poultry.

40       (b) Livestock and poultry feed, salts, vitamins and other additives  
41 for livestock or poultry consumption that are sold to persons for use or  
42 consumption by their own livestock or poultry, for use or consumption in  
43 the businesses of farming, ranching and producing or feeding livestock,  
44 poultry, or livestock or poultry products or for use or consumption in

1 noncommercial boarding of livestock. For the purposes of this paragraph,  
2 "poultry" includes ratites.

3 43. Sales of implants used as growth promotants and injectable  
4 medicines, not already exempt under paragraph 8 of this subsection, for  
5 livestock or poultry owned by or in possession of persons who are engaged  
6 in producing livestock, poultry, or livestock or poultry products or who  
7 are engaged in feeding livestock or poultry commercially. For the  
8 purposes of this paragraph, "poultry" includes ratites.

9 44. Sales of motor vehicles at auction to nonresidents of this  
10 state for use outside this state if the vehicles are shipped or delivered  
11 out of this state, regardless of where title to the motor vehicles passes  
12 or its free on board point.

13 45. Tangible personal property sold to a person engaged in business  
14 and subject to tax under the transient lodging classification if the  
15 tangible personal property is a personal hygiene item or articles used by  
16 human beings for food, drink or condiment, except alcoholic beverages,  
17 that are furnished without additional charge to and intended to be  
18 consumed by the transient during the transient's occupancy.

19 46. Sales of alternative fuel, as defined in section 1-215, to a  
20 used oil fuel burner who has received a permit to burn used oil or used  
21 oil fuel under section 49-426 or 49-480.

22 47. Sales of materials that are purchased by or for publicly funded  
23 libraries including school district libraries, charter school libraries,  
24 community college libraries, state university libraries or federal, state,  
25 county or municipal libraries for use by the public as follows:

26 (a) Printed or photographic materials, beginning August 7, 1985.  
27 (b) Electronic or digital media materials, beginning July 17, 1994.

28 48. Tangible personal property sold to a commercial airline and  
29 consisting of food, beverages and condiments and accessories used for  
30 serving the food and beverages, if those items are to be provided without  
31 additional charge to passengers for consumption in flight. For the  
32 purposes of this paragraph, "commercial airline" means a person holding a  
33 federal certificate of public convenience and necessity or foreign air  
34 carrier permit for air transportation to transport persons, property or  
35 United States mail in intrastate, interstate or foreign commerce.

36 49. Sales of alternative fuel vehicles if the vehicle was  
37 manufactured as a diesel fuel vehicle and converted to operate on  
38 alternative fuel and equipment that is installed in a conventional diesel  
39 fuel motor vehicle to convert the vehicle to operate on an alternative  
40 fuel, as defined in section 1-215.

41 50. Sales of any spirituous, vinous or malt liquor by a person that  
42 is licensed in this state as a wholesaler by the department of liquor  
43 licenses and control pursuant to title 4, chapter 2, article 1.

1       51. Sales of tangible personal property to be incorporated or  
2 installed as part of environmental response or remediation activities  
3 under section 42-5075, subsection B, paragraph 6.

4       52. Sales of tangible personal property by a nonprofit organization  
5 that is exempt from taxation under section 501(c)(6) of the internal  
6 revenue code if the organization produces, organizes or promotes cultural  
7 or civic related festivals or events and no part of the organization's net  
8 earnings inures to the benefit of any private shareholder or individual.

9       53. Application services that are designed to assess or test  
10 student learning or to promote curriculum design or enhancement purchased  
11 by or for any school district, charter school, community college or state  
12 university. For the purposes of this paragraph:

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

15       (b) "Curriculum design or enhancement" means planning, implementing  
16 or reporting on courses of study, lessons, assignments or other learning  
17 activities.

18       54. Sales of motor vehicle fuel and use fuel to a qualified  
19 business under section 41-1516 for off-road use in harvesting, processing  
20 or transporting qualifying forest products removed from qualifying  
21 projects as defined in section 41-1516.

22       55. Sales of repair parts installed in equipment used directly by a  
23 qualified business under section 41-1516 in harvesting, processing or  
24 transporting qualifying forest products removed from qualifying projects  
25 as defined in section 41-1516.

26       56. Sales or other transfers of renewable energy credits or any  
27 other unit created to track energy derived from renewable energy  
28 resources. For the purposes of this paragraph, "renewable energy credit"  
29 means a unit created administratively by the corporation commission or  
30 governing body of a public power utility to track kilowatt hours of  
31 electricity derived from a renewable energy resource or the kilowatt hour  
32 equivalent of conventional energy resources displaced by distributed  
33 renewable energy resources.

34       57. Computer data center equipment sold to the owner, operator or  
35 qualified colocation tenant of a computer data center that is certified by  
36 the Arizona commerce authority under section 41-1519 or an authorized  
37 agent of the owner, operator or qualified colocation tenant during the  
38 qualification period for use in the qualified computer data center. For  
39 the purposes of this paragraph, "computer data center", "computer data  
40 center equipment", "qualification period" and "qualified colocation  
41 tenant" have the same meanings prescribed in section 41-1519.

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

1       59. Sales of tangible personal property incorporated or fabricated  
2 into a project described in section 42-5075, subsection 0, that is located  
3 within the exterior boundaries of an Indian reservation for which the  
4 owner, as defined in section 42-5075, of the project is an Indian tribe or  
5 an affiliated Indian. For the purposes of this paragraph:

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

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

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

18       60. Sales of works of fine art, as defined in section 44-1771, at  
19 an art auction or gallery in this state to nonresidents of this state for  
20 use outside this state if the vendor ships or delivers the work of fine  
21 art to a destination outside this state.

22       B. In addition to the deductions from the tax base prescribed by  
23 subsection A of this section, the gross proceeds of sales or gross income  
24 derived from sales of the following categories of tangible personal  
25 property shall be deducted from the tax base:

26       1. Machinery, or equipment, used directly in manufacturing,  
27 processing, fabricating, job printing, refining or metallurgical  
28 operations. The terms "manufacturing", "processing", "fabricating", "job  
29 printing", "refining" and "metallurgical" as used in this paragraph refer  
30 to and include those operations commonly understood within their ordinary  
31 meaning. "Metallurgical operations" includes leaching, milling,  
32 precipitating, smelting and refining.

33       2. Mining machinery, or equipment, used directly in the process of  
34 extracting ores or minerals from the earth for commercial purposes,  
35 including equipment required to prepare the materials for extraction and  
36 handling, loading or transporting such extracted material to the surface.  
37 "Mining" includes underground, surface and open pit operations for  
38 extracting ores and minerals.

39       3. Tangible personal property sold to persons engaged in business  
40 classified under the telecommunications classification, including a person  
41 representing or working on behalf of such a person in a manner described  
42 in section 42-5075, subsection 0, and consisting of central office  
43 switching equipment, switchboards, private branch exchange equipment,  
44 microwave radio equipment and carrier equipment including optical fiber,

1 coaxial cable and other transmission media that are components of carrier  
2 systems.

3 4. Machinery, equipment or transmission lines used directly in  
4 producing or transmitting electrical power, but not including  
5 distribution. Transformers and control equipment used at transmission  
6 substation sites constitute equipment used in producing or transmitting  
7 electrical power.

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

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

16 7. Aircraft, navigational and communication instruments and other  
17 accessories and related equipment sold to:

18 (a) A person:

19 (i) Holding, or exempted by federal law from obtaining, a federal  
20 certificate of public convenience and necessity for use as, in conjunction  
21 with or becoming part of an aircraft to be used to transport persons for  
22 hire in intrastate, interstate or foreign commerce.

23 (ii) That is certificated or licensed under federal aviation  
24 administration regulations (14 Code of Federal Regulations part 121 or  
25 135) as a scheduled or unscheduled carrier of persons for hire for use as  
26 or in conjunction with or becoming part of an aircraft to be used to  
27 transport persons for hire in intrastate, interstate or foreign commerce.

28 (iii) Holding a foreign air carrier permit for air transportation  
29 for use as or in conjunction with or becoming a part of aircraft to be  
30 used to transport persons, property or United States mail in intrastate,  
31 interstate or foreign commerce.

32 (iv) Operating an aircraft to transport persons in any manner for  
33 compensation or hire, or for use in a fractional ownership program that  
34 meets the requirements of federal aviation administration regulations (14  
35 Code of Federal Regulations part 91, subpart K), including as an air  
36 carrier, a foreign air carrier or a commercial operator or under a  
37 restricted category, within the meaning of 14 Code of Federal Regulations,  
38 regardless of whether the operation or aircraft is regulated or certified  
39 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code  
40 of Federal Regulations.

41 (v) That will lease or otherwise transfer operational control,  
42 within the meaning of federal aviation administration operations  
43 specification A008, or its successor, of the aircraft, instruments or  
44 accessories to one or more persons described in item (i), (ii), (iii) or  
45 (iv) of this subdivision, subject to section 42-5009, subsection Q.

(b) Any foreign government.

(c) Persons who are not residents of this state and who will not use such property in this state other than in removing such property from this state. This subdivision also applies to corporations that are not incorporated in this state, regardless of maintaining a place of business in this state, if the principal corporate office is located outside this state and the property will not be used in this state other than in removing the property from this state.

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

9. Railroad rolling stock, rails, ties and signal control equipment used directly to transport persons or property.

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

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

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

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

(a) "New machinery and equipment" means machinery and equipment that have never been sold at retail except pursuant to leases or rentals that do not total two years or more.

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

14. Machinery or equipment used in research and development. For the purposes of this paragraph, "research and development" means basic and applied research in the sciences and engineering, and designing, developing or testing prototypes, processes or new products, including research and development of computer software that is embedded in or an integral part of the prototype or new product or that is required for

1 machinery or equipment otherwise exempt under this section to function  
2 effectively. Research and development do not include manufacturing  
3 quality control, routine consumer product testing, market research, sales  
4 promotion, sales service, research in social sciences or psychology,  
5 computer software research that is not included in the definition of  
6 research and development, or other nontechnological activities or  
7 technical services.

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

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

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

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

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

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

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

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

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

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

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

16       19. Machinery and equipment that are sold to a person engaged in  
17 the commercial production of livestock, livestock products or  
18 agricultural, horticultural, viticultural or floricultural crops or  
19 products in this state, including a person representing or working on  
20 behalf of such a person in a manner described in section 42-5075,  
21 subsection 0, if the machinery and equipment are used directly and  
22 primarily to prevent, monitor, control or reduce air, water or land  
23 pollution.

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

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

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

36           (c) Any machinery or equipment purchased after the television  
37 station has ceased analog broadcasting, or purchased after November 1,  
38 2009, whichever occurs first.

39       21. Qualifying equipment that is purchased from and after June 30,  
40 2004 through June 30, 2024 by a qualified business under section 41-1516  
41 for harvesting or processing qualifying forest products removed from  
42 qualifying projects as defined in section 41-1516. To qualify for this  
43 deduction, the qualified business at the time of purchase must present its  
44 certification approved by the department.

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

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

7       2. Janitorial equipment and hand tools.

8       3. Office equipment, furniture and supplies.

9       4. Tangible personal property used in selling or distributing  
10 activities, other than the telecommunications transmissions described in  
11 subsection B, paragraph 15 of this section.

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

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

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

19       8. Machinery and equipment or other tangible personal property used  
20 by a contractor in the performance of a contract.

21       D. In addition to the deductions from the tax base prescribed by  
22 subsection A of this section, there shall be deducted from the tax base  
23 the gross proceeds of sales or gross income derived from sales of  
24 machinery, equipment, materials and other tangible personal property used  
25 directly and predominantly to construct a qualified environmental  
26 technology manufacturing, producing or processing facility as described in  
27 section 41-1514.02. This subsection applies for ten full consecutive  
28 calendar or fiscal years after the start of initial construction.

29       E. In computing the tax base, gross proceeds of sales or gross  
30 income from retail sales of heavy trucks and trailers does not include any  
31 amount attributable to federal excise taxes imposed by 26 United States  
32 Code section 4051.

33       F. If a person is engaged in an occupation or business to which  
34 subsection A of this section applies, the person's books shall be kept so  
35 as to show separately the gross proceeds of sales of tangible personal  
36 property and the gross income from sales of services, and if not so kept  
37 the tax shall be imposed on the total of the person's gross proceeds of  
38 sales of tangible personal property and gross income from services.

39       G. If a person is engaged in the business of selling tangible  
40 personal property at both wholesale and retail, the tax under this section  
41 applies only to the gross proceeds of the sales made other than at  
42 wholesale if the person's books are kept so as to show separately the  
43 gross proceeds of sales of each class, and if the books are not so kept,  
44 the tax under this section applies to the gross proceeds of every sale so  
45 made.

1       H. A person who engages in manufacturing, baling, crating, boxing,  
2 barreling, canning, bottling, sacking, preserving, processing or otherwise  
3 preparing for sale or commercial use any livestock, agricultural or  
4 horticultural product or any other product, article, substance or  
5 commodity and who sells the product of such business at retail in this  
6 state is deemed, as to such sales, to be engaged in business classified  
7 under the retail classification. This subsection does not apply to:

8       1. Agricultural producers who are owners, proprietors or tenants of  
9 agricultural lands, orchards, farms or gardens where agricultural products  
10 are grown, raised or prepared for market and who are marketing their own  
11 agricultural products.

12       2. Businesses classified under the:

- 13       (a) Transporting classification.
- 14       (b) Utilities classification.
- 15       (c) Telecommunications classification.
- 16       (d) Pipeline classification.
- 17       (e) Private car line classification.
- 18       (f) Publication classification.
- 19       (g) Job printing classification.
- 20       (h) Prime contracting classification.
- 21       (i) Restaurant classification.

22       I. The gross proceeds of sales or gross income derived from the  
23 following shall be deducted from the tax base for the retail  
24 classification:

25       1. Sales made directly to the United States government or its  
26 departments or agencies by a manufacturer, modifier, assembler or  
27 repairer.

28       2. Sales made directly to a manufacturer, modifier, assembler or  
29 repairer if such sales are of any ingredient or component part of products  
30 sold directly to the United States government or its departments or  
31 agencies by the manufacturer, modifier, assembler or repairer.

32       3. Overhead materials or other tangible personal property that is  
33 used in performing a contract between the United States government and a  
34 manufacturer, modifier, assembler or repairer, including property used in  
35 performing a subcontract with a government contractor who is a  
36 manufacturer, modifier, assembler or repairer, to which title passes to  
37 the government under the terms of the contract or subcontract.

38       4. Sales of overhead materials or other tangible personal property  
39 to a manufacturer, modifier, assembler or repairer if the gross proceeds  
40 of sales or gross income derived from the property by the manufacturer,  
41 modifier, assembler or repairer will be exempt under paragraph 3 of this  
42 subsection.

43       J. There shall be deducted from the tax base fifty percent of the  
44 gross proceeds or gross income from any sale of tangible personal property

1 made directly to the United States government or its departments or  
2 agencies that is not deducted under subsection I of this section.

3 K. The department shall require every person claiming a deduction  
4 provided by subsection I or J of this section to file on forms prescribed  
5 by the department at such times as the department directs a sworn  
6 statement disclosing the name of the purchaser and the exact amount of  
7 sales on which the exclusion or deduction is claimed.

8 L. In computing the tax base, gross proceeds of sales or gross  
9 income does not include:

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

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

14 M. There shall be deducted from the tax base the amount received  
15 from sales of solar energy devices. The retailer shall register with the  
16 department as a solar energy retailer. By registering, the retailer  
17 acknowledges that it will make its books and records relating to sales of  
18 solar energy devices available to the department for examination.

19 N. In computing the tax base in the case of the sale or transfer of  
20 wireless telecommunications equipment as an inducement to a customer to  
21 enter into or continue a contract for telecommunications services that are  
22 taxable under section 42-5064, gross proceeds of sales or gross income  
23 does not include any sales commissions or other compensation received by  
24 the retailer as a result of the customer entering into or continuing a  
25 contract for the telecommunications services.

26 O. For the purposes of this section, a sale of wireless  
27 telecommunications equipment to a person who holds the equipment for sale  
28 or transfer to a customer as an inducement to enter into or continue a  
29 contract for telecommunications services that are taxable under section  
30 42-5064 is considered to be a sale for resale in the regular course of  
31 business.

32 P. Retail sales of prepaid calling cards or prepaid authorization  
33 numbers for telecommunications services, including sales of  
34 reauthorization of a prepaid card or authorization number, are subject to  
35 tax under this section.

36 Q. For the purposes of this section, the diversion of gas from a  
37 pipeline by a person engaged in the business of:

38 1. Operating a natural or artificial gas pipeline, for the sole  
39 purpose of fueling compressor equipment to pressurize the pipeline, is not  
40 a sale of the gas to the operator of the pipeline.

41 2. Converting natural gas into liquefied natural gas, for the sole  
42 purpose of fueling compressor equipment used in the conversion process, is  
43 not a sale of gas to the operator of the compressor equipment.

44 R. For the purposes of this section, the transfer of title or  
45 possession of coal from an owner or operator of a power plant to a person

1 in the business of refining coal is not a sale of coal if both of the  
2 following apply:

3 1. The transfer of title or possession of the coal is for the  
4 purpose of refining the coal.

5 2. The title or possession of the coal is transferred back to the  
6 owner or operator of the power plant after completion of the coal refining  
7 process. For the purposes of this paragraph, "coal refining process"  
8 means the application of a coal additive system that aids in the reduction  
9 of power plant emissions during the combustion of coal and the treatment  
10 of flue gas.

11 S. If a seller is entitled to a deduction pursuant to subsection B,  
12 paragraph 15, subdivision (b) of this section, the department may require  
13 the purchaser to establish that the requirements of subsection B,  
14 paragraph 15, subdivision (b) of this section have been satisfied. If the  
15 purchaser cannot establish that the requirements of subsection B,  
16 paragraph 15, subdivision (b) of this section have been satisfied, the  
17 purchaser is liable in an amount equal to any tax, penalty and interest  
18 that the seller would have been required to pay under article 1 of this  
19 chapter if the seller had not made a deduction pursuant to subsection B,  
20 paragraph 15, subdivision (b) of this section. Payment of the amount  
21 under this subsection exempts the purchaser from liability for any tax  
22 imposed under article 4 of this chapter and related to the tangible  
23 personal property purchased. The amount shall be treated as transaction  
24 privilege tax to the purchaser and as tax revenues collected from the  
25 seller to designate the distribution base pursuant to section 42-5029.

26 T. For the purposes of section 42-5032.01, the department shall  
27 separately account for revenues collected under the retail classification  
28 from businesses selling tangible personal property at retail:

29 1. On the premises of a multipurpose facility that is owned, leased  
30 or operated by the tourism and sports authority pursuant to title 5,  
31 chapter 8.

32 2. At professional football contests that are held in a stadium  
33 located on the campus of an institution under the jurisdiction of the  
34 Arizona board of regents.

35 U. In computing the tax base for the sale of a motor vehicle to a  
36 nonresident of this state, if the purchaser's state of residence allows a  
37 corresponding use tax exemption to the tax imposed by article 1 of this  
38 chapter and the rate of the tax in the purchaser's state of residence is  
39 lower than the rate prescribed in article 1 of this chapter or if the  
40 purchaser's state of residence does not impose an excise tax, and the  
41 nonresident has secured a special ninety day nonresident registration  
42 permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01,  
43 there shall be deducted from the tax base a portion of the gross proceeds  
44 or gross income from the sale so that the amount of transaction privilege  
45 tax that is paid in this state is equal to the excise tax that is imposed

1 by the purchaser's state of residence on the nonexempt sale or use of the  
2 motor vehicle.

3       V. For the purposes of this section:

4       1. "Agricultural aircraft" means an aircraft that is built for  
5 agricultural use for the aerial application of pesticides or fertilizer or  
6 for aerial seeding.

7       2. "Aircraft" includes:

8           (a) An airplane flight simulator that is approved by the federal  
9 aviation administration for use as a phase II or higher flight simulator  
10 under appendix H, 14 Code of Federal Regulations part 121.

11           (b) Tangible personal property that is permanently affixed or  
12 attached as a component part of an aircraft that is owned or operated by a  
13 certificated or licensed carrier of persons or property.

14       3. "Other accessories and related equipment" includes aircraft  
15 accessories and equipment such as ground service equipment that physically  
16 contact aircraft at some point during the overall carrier operation.

17       4. "Selling at retail" means a sale for any purpose other than for  
18 resale in the regular course of business in the form of tangible personal  
19 property, but transfer of possession, lease and rental as used in the  
20 definition of sale mean only such transactions as are found on  
21 investigation to be in lieu of sales as defined without the words lease or  
22 rental.

23       W. For the purposes of subsection I of this section:

24       1. "Assembler" means a person who unites or combines products,  
25 wares or articles of manufacture so as to produce a change in form or  
26 substance without changing or altering the component parts.

27       2. "Manufacturer" means a person who is principally engaged in the  
28 fabrication, production or manufacture of products, wares or articles for  
29 use from raw or prepared materials, imparting to those materials new  
30 forms, qualities, properties and combinations.

31       3. "Modifier" means a person who reworks, changes or adds to  
32 products, wares or articles of manufacture.

33       4. "Overhead materials" means tangible personal property, the gross  
34 proceeds of sales or gross income derived from that would otherwise be  
35 included in the retail classification, and that are used or consumed in  
36 the performance of a contract, the cost of which is charged to an overhead  
37 expense account and allocated to various contracts based on generally  
38 accepted accounting principles and consistent with government contract  
39 accounting standards.

40       5. "Repairer" means a person who restores or renew products, wares  
41 or articles of manufacture.

42       6. "Subcontract" means an agreement between a contractor and any  
43 person who is not an employee of the contractor for furnishing of supplies  
44 or services that, in whole or in part, are necessary to the performance of  
45 one or more government contracts, or under which any portion of the

1 contractor's obligation under one or more government contracts is  
2 performed, undertaken or assumed and that includes provisions causing  
3 title to overhead materials or other tangible personal property used in  
4 the performance of the subcontract to pass to the government or that  
5 includes provisions incorporating such title passing clauses in a  
6 government contract into the subcontract.

7 Sec. 2. Section 42-5069, Arizona Revised Statutes, is amended to  
8 read:

9 **42-5069. Commercial lease classification; definitions**

10 A. The commercial lease classification is comprised of the business  
11 of leasing for a consideration the use or occupancy of real property.

12 B. A person who, as a lessor, leases or rents for a consideration  
13 under one or more leases or rental agreements the use or occupancy of real  
14 property that is used by the lessee for commercial purposes is deemed to  
15 be engaged in business and subject to the tax imposed by article 1 of this  
16 chapter, but this subsection does not include leases or rentals of real  
17 property used for residential or agricultural purposes.

18 C. The commercial lease classification does not include:

19 1. Any business activities that are classified under the transient  
20 lodging classification.

21 2. Activities engaged in by the Arizona exposition and state fair  
22 board or county fair commissions in connection with events sponsored by  
23 those entities.

24 3. Leasing real property to a lessee who subleases the property if  
25 the lessee is engaged in business classified under the commercial lease  
26 classification or the transient lodging classification.

27 4. Leasing real property pursuant to a written lease agreement  
28 entered into before December 1, 1967. This exclusion does not apply to  
29 the businesses of hotels, guest houses, dude ranches and resorts, rooming  
30 houses, apartment houses, office buildings, automobile storage garages,  
31 parking lots or tourist camps, or to the extension or renewal of any such  
32 written lease agreement.

33 5. Leasing real property between affiliated companies, businesses,  
34 persons or reciprocal insurers. For the purposes of this paragraph:

35 (a) "Affiliated companies, businesses, persons or reciprocal  
36 insurers" means the lessor holds a controlling interest in the lessee, the  
37 lessee holds a controlling interest in the lessor, affiliated persons hold  
38 a controlling interest in both the lessor and the lessee, or an unrelated  
39 person holds a controlling interest in both the lessor and lessee.

40 (b) "Affiliated persons" means members of an individual's family or  
41 persons who have ownership or control of a business entity.

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

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

4       (e) "Reciprocal insurers" has the same meaning prescribed in  
5 section 20-762.

6       6. Leasing real property for boarding horses.

7       7. Leasing or renting real property or the right to use real  
8 property at exhibition events in this state sponsored, operated or  
9 conducted by a nonprofit organization that is exempt from taxation under  
10 section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if  
11 the organization is associated with major league baseball teams or a  
12 national touring professional golfing association and no part of the  
13 organization's net earnings inures to the benefit of any private  
14 shareholder or individual. **THIS PARAGRAPH DOES NOT APPLY TO AN  
15 ORGANIZATION THAT IS OWNED, MANAGED OR CONTROLLED, IN WHOLE OR IN PART, BY  
16 A MAJOR LEAGUE BASEBALL TEAM, OR ITS OWNERS, OFFICERS, EMPLOYEES OR  
17 AGENTS, OR BY A MAJOR LEAGUE BASEBALL ASSOCIATION OR PROFESSIONAL GOLFING  
18 ASSOCIATION, OR ITS OWNERS, OFFICERS, EMPLOYEES OR AGENTS, UNLESS THE  
19 ORGANIZATION CONDUCTED OR OPERATED EXHIBITION EVENTS IN THIS STATE BEFORE  
20 JANUARY 1, 2018 THAT WERE EXEMPT FROM TAXATION UNDER SECTION 42-5073.**

21       8. Leasing or renting real property or the right to use real  
22 property for use as a rodeo featuring primarily farm and ranch animals in  
23 this state sponsored, operated or conducted by a nonprofit organization  
24 that is exempt from taxation under section 501(c)(3), 501(c)(4),  
25 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code and no part  
26 of the organization's net earnings inures to the benefit of any private  
27 shareholder or individual.

28       9. Leasing or renting dwelling units, lodging facilities or trailer  
29 or mobile home spaces if the units, facilities or spaces are intended to  
30 serve as the principal or permanent place of residence for the lessee or  
31 renter or if the unit, facility or space is leased or rented to a single  
32 tenant thirty or more consecutive days.

33       10. Leasing or renting real property and improvements for use  
34 primarily for religious worship by a nonprofit organization that is exempt  
35 from taxation under section 501(c)(3) of the internal revenue code and no  
36 part of the organization's net earnings inures to the benefit of any  
37 private shareholder or individual.

38       11. Leasing or renting real property used for agricultural purposes  
39 under either of the following circumstances:

40       (a) The lease or rental is between family members, trusts, estates,  
41 corporations, partnerships, joint venturers or similar entities, or any  
42 combination thereof, if the individuals or at least eighty percent of the  
43 beneficiaries, shareholders, partners or joint venturers share a family  
44 relationship as parents or ancestors of parents, children or descendants  
45 of children, siblings, cousins of the first degree, aunts, uncles, nieces

1 or nephews of the first degree, spouses of any of the listed relatives and  
2 listed relatives by the half-blood or by adoption.

3 (b) The lessor leases or rents real property used for agricultural  
4 purposes under no more than three leases or rental agreements.

5 12. Leasing, renting or granting the right to use real property to  
6 vendors or exhibitors by a trade or industry association that is a  
7 qualifying organization pursuant to section 513(d)(3)(C) of the internal  
8 revenue code for a period not to exceed twenty-one days in connection with  
9 an event that meets all of the following conditions:

10 (a) The majority of such vending or exhibition activities relate to  
11 the nature of the trade or business sponsoring the event.

12 (b) The event is held in conjunction with a formal business meeting  
13 of the trade or industry association.

14 (c) The event is organized by the persons engaged in the particular  
15 trade or industry.

16 13. Leasing, renting or granting the right to use real property for  
17 a period not to exceed twenty-one days by a coliseum, civic center, civic  
18 plaza, convention center, auditorium or arena owned by this state or any  
19 of its political subdivisions.

20 14. Leasing or subleasing real property used by a nursing care  
21 institution as defined in section 36-401 that is licensed pursuant to  
22 title 36, chapter 4.

23 15. Leasing or renting an eligible facility as defined in section  
24 28-7701.

25 16. Granting or providing rights to real property that constitute a  
26 profit à prendre for the severance of minerals, including all rights to  
27 use the surface or subsurface of the property as is necessary or  
28 convenient to the right to sever the minerals. This paragraph does not  
29 exclude from the commercial lease classification leasehold rights to the  
30 real property that are granted in addition to and not included within the  
31 right of profit à prendre, but the tax base for the grant of such a  
32 leasehold right, if the gross income derived from the grant is not  
33 separately stated from the gross income derived from the grant of the  
34 profit à prendre, shall not exceed the fair market value of the leasehold  
35 rights computed after excluding the value of all rights under the profit à  
36 prendre. For the purposes of this paragraph, "profit à prendre" means a  
37 right to use the land of another to mine minerals, and carries with it the  
38 right of entry and the right to remove and take the minerals from the land  
39 and also includes the right to use the surface of the land as is necessary  
40 and convenient for exercise of the profit.

41 17. The leasing or renting of space to make attachments to utility  
42 poles as follows:

43 (a) By a person that is engaged in business under section 42-5063  
44 or 42-5064 or that is a cable operator.

(b) To a person that is engaged in business under section 42-5063 or 42-5064 or that is a cable operator.

D. The tax base for the commercial lease classification is the gross proceeds of sales or gross income derived from the business, but reimbursements to the lessor for utility service shall be deducted from the tax base.

E. Notwithstanding section 42-1104, subsection B, paragraph 1, subdivision (b) and paragraph 2, the failure to file tax returns for the commercial lease classification that report gross income derived from any agreement that constitutes, in whole or in part, a grant of a right of profit à prendre for the severance of minerals does not constitute an exception to the general rule for the statute of limitations.

F. For the purposes of this section:

1. "Cable operator" has the same meaning prescribed by IN section 9-505.

2. "Leasing" includes renting.

3. "Real property" includes any improvements, rights or interest in such property.

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

Sec. 3. Section 42-5073, Arizona Revised Statutes, is amended to read:

## 42-5073. Amusement classification

A. The amusement classification is comprised of the business of operating or conducting theaters, movies, operas, shows of any type or nature, exhibitions, concerts, carnivals, circuses, amusement parks, menageries, fairs, races, contests, games, billiard or pool parlors, bowling alleys, public dances, dance halls, boxing and wrestling matches, skating rinks, tennis courts, except as provided in subsection B of this section, video games, pinball machines, ~~—~~ OR sports events or any other business charging admission or user fees for exhibition, amusement or entertainment, including the operation or sponsorship of events by a tourism and sports authority under title 5, chapter 8. For the purposes of this section, admission or user fees include, but are not limited to, any revenues derived from any form of contractual agreement for rights to or use of premium or special seating facilities or arrangements. The amusement classification does not include:

1. Activities or projects of bona fide religious or educational institutions.

2. Private or group instructional activities. For the purposes of this paragraph, "private or group instructional activities" includes, but is not limited to, performing arts, martial arts, gymnastics and aerobic instruction.

1       3. The operation or sponsorship of events by the Arizona exposition  
2 and state fair board or county fair commissions.

3       4. A musical, dramatic or dance group or a botanical garden, museum  
4 or zoo that is qualified as a nonprofit charitable organization under  
5 section 501(c)(3) of the United States internal revenue code ~~and~~ if no  
6 part of its net income inures to the benefit of any private shareholder or  
7 individual.

8       5. Exhibition events in this state sponsored, conducted or operated  
9 by a nonprofit organization that is exempt from taxation under section  
10 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the  
11 organization is associated with major league baseball teams or a national  
12 touring professional golfing association and no part of the organization's  
13 net earnings inures to the benefit of any private shareholder or  
14 individual. **THIS PARAGRAPH DOES NOT APPLY TO AN ORGANIZATION THAT IS  
15 OWNED, MANAGED OR CONTROLLED, IN WHOLE OR IN PART, BY A MAJOR LEAGUE  
16 BASEBALL TEAM, OR ITS OWNERS, OFFICERS, EMPLOYEES OR AGENTS, OR BY A MAJOR  
17 LEAGUE BASEBALL ASSOCIATION OR PROFESSIONAL GOLFING ASSOCIATION, OR ITS  
18 OWNERS, OFFICERS, EMPLOYEES OR AGENTS, UNLESS THE ORGANIZATION CONDUCTED  
19 OR OPERATED EXHIBITION EVENTS IN THIS STATE BEFORE JANUARY 1, 2018 THAT  
20 WERE EXEMPT FROM TAXATION UNDER THIS SECTION.**

21       6. Operating or sponsoring rodeos that feature primarily farm and  
22 ranch animals in this state and that are sponsored, conducted or operated  
23 by a nonprofit organization that is exempt from taxation under section  
24 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the internal  
25 revenue code ~~and~~ **IF** no part of the organization's net earnings inures to  
26 the benefit of any private shareholder or individual.

27       7. Sales of admissions to intercollegiate football contests if the  
28 contests are both:

29           (a) Operated by a nonprofit organization that is exempt from  
30 taxation under section 501(c)(3) of the internal revenue code and no part  
31 of the organization's net earnings inures to the benefit of any private  
32 shareholder or individual.

33           (b) Not held in a multipurpose facility that is owned or operated  
34 by the tourism and sports authority pursuant to title 5, chapter 8.

35       8. Activities and events of, or fees and assessments received by, a  
36 homeowners organization from persons who are members of the organization  
37 or accompanied guests of members. For the purposes of this paragraph,  
38 "homeowners organization" means a mandatory membership organization  
39 comprised of owners of residential property within a specified residential  
40 real estate subdivision development or similar area and established to own  
41 property for the benefit of its members where both of the following apply:

42           (a) No part of the organization's net earnings inures to the  
43 benefit of any private shareholder or individual.

4       9. Activities and events of, or fees received by, a nonprofit  
5 organization that is exempt from taxation under section 501(c)(6) of the  
6 internal revenue code if the organization produces, organizes or promotes  
7 cultural or civic related festivals or events and no part of the  
8 organization's net earnings inures to the benefit of any private  
9 shareholder or individual.

10       10. Arranging an amusement activity as a service to a person's  
11 customers if that person is not otherwise engaged in the business of  
12 operating or conducting an amusement personally or through others. This  
13 exception does not apply to businesses that operate or conduct amusements  
14 pursuant to customer orders and send the billings and receive the payments  
15 associated with that activity, including when the amusement is performed  
16 by third-party independent contractors. For the purposes of this  
17 paragraph, "arranging" includes billing for or collecting amusement  
18 charges from a person's customers on behalf of the persons providing the  
19 amusement.

20           B. The tax base for the amusement classification is the gross  
21 proceeds of sales or gross income derived from the business, except that  
22 the following shall be deducted from the tax base:

23       1. The gross proceeds of sales or gross income derived from  
24 memberships, including initiation fees, that provide for the right to use  
25 a health or fitness establishment or a private recreational establishment,  
26 or any portion of an establishment, including tennis and other racquet  
27 courts at that establishment, for participatory purposes for twenty-eight  
28 days or more and fees charged for use of the health or fitness  
29 establishment or private recreational establishment by bona fide  
30 accompanied guests of members, except that this paragraph does not include  
31 additional fees, other than initiation fees, charged by a health or  
32 fitness establishment or a private recreational establishment for purposes  
33 other than memberships that provide for the right to use a health or  
34 fitness establishment or private recreational establishment, or any  
35 portion of an establishment, for participatory purposes for twenty-eight  
36 days or more and accompanied guest use fees.

37 2. Amounts that are exempt under section 5-111, subsection G.

38       3. The gross proceeds of sales or gross income derived from  
39 membership fees, including initiation fees, that provide for the right to  
40 use a transient lodging recreational establishment, including golf courses  
41 and tennis and other racquet courts at that establishment, for  
42 participatory purposes for twenty-eight days or more, except that this  
43 paragraph does not include additional fees, other than initiation fees,  
44 that are charged by a transient lodging recreational establishment for  
45 purposes other than memberships and that provide for the right to use a

1 transient lodging recreational establishment or any portion of the  
2 establishment for participatory purposes for twenty-eight days or more.

3       4. The gross proceeds of sales or gross income derived from sales  
4 to persons engaged in the business of transient lodging classified under  
5 section 42-5070, if all of the following apply:

6       (a) The persons who are engaged in the transient lodging business  
7 sell the amusement to another person for consideration.

8       (b) The consideration received by the transient lodging business is  
9 equal to or greater than the amount to be deducted under this subsection.

10       (c) The transient lodging business has provided an exemption  
11 certificate to the person engaging in business under this section.

12       5. The gross proceeds of sales or gross income derived from:

13       (a) Business activity that is properly included in any other  
14 business classification under this article and that is taxable to the  
15 person engaged in that classification, but the gross proceeds of sales or  
16 gross income to be deducted shall not exceed the consideration paid to the  
17 person conducting the activity.

18       (b) Business activity that is arranged by the person who is subject  
19 to tax under this section and that is not taxable to the person conducting  
20 the activity due to an exclusion, exemption or deduction under this  
21 section or section 42-5062, but the gross proceeds of sales or gross  
22 income to be deducted shall not exceed the consideration paid to the  
23 person conducting the activity.

24       (c) Business activity that is arranged by a person who is subject  
25 to tax under this section and that is taxable to another person under this  
26 section who conducts the activity, but the gross proceeds of sales or  
27 gross income to be deducted shall not exceed the consideration paid to the  
28 person conducting the activity.

29       6. The gross proceeds of sales or gross income derived from entry  
30 fees paid by participants for events that either:

31       (a) Until March 1, 2017, consist of a run, walk, swim or bicycle  
32 ride or a similar event, or any combination of these events.

33       (b) Are operated or conducted by nonprofit organizations that are  
34 exempt from taxation under section 501(c)(3) of the internal revenue code  
35 and of which no part of the organization's net earnings inures to the  
36 benefit of any private shareholder or individual, if the event consists of  
37 a run, walk, swim or bicycle ride or a similar event, or any combination  
38 of these events.

39       C. For the purposes of subsection B of this section:

40       1. "Health or fitness establishment" means a facility whose primary  
41 purpose is to provide facilities, equipment, instruction or education to  
42 promote the health and fitness of its members and at least eighty percent  
43 of the monthly gross revenue of the facility is received through accounts  
44 of memberships and accompanied guest use fees that provide for the right  
45 to use the facility, or any portion of the facility, under the terms of

1 the membership agreement for participatory purposes for twenty-eight days  
2 or more.

3 2. "Private recreational establishment" means a facility whose  
4 primary purpose is to provide recreational facilities, such as tennis,  
5 golf and swimming, for its members and where at least eighty percent of  
6 the monthly gross revenue of the facility is received through accounts of  
7 memberships and accompanied guest use fees that provide for the right to  
8 use the facility, or any portion of the facility, for participatory  
9 purposes for twenty-eight days or more.

10 3. "Transient lodging recreational establishment" means a facility  
11 whose primary purpose is to provide facilities for transient lodging, that  
12 is subject to taxation under this chapter and that also provides  
13 recreational facilities, such as tennis, golf and swimming, for members  
14 for a period of twenty-eight days or more.

15 D. Until December 31, 1988, the revenues from hayrides and other  
16 animal-drawn amusement rides, from horseback riding and riding instruction  
17 and from recreational tours using motor vehicles designed to operate on  
18 and off public highways are exempt from the tax imposed by this section.  
19 Beginning January 1, 1989, the gross proceeds or gross income from  
20 hayrides and other animal-drawn amusement rides, from horseback riding and  
21 from recreational tours using motor vehicles designed to operate on and  
22 off public highways are subject to taxation under this section. Tax  
23 liabilities, penalties and interest paid for taxable periods before  
24 January 1, 1989 shall not be refunded unless the taxpayer requesting the  
25 refund provides proof satisfactory to the department that the taxes will  
26 be returned to the customer.

27 E. If a person is engaged in the business of offering both  
28 exhibition, amusement or entertainment and private or group instructional  
29 activities, the person's books shall be kept to show separately the gross  
30 income from exhibition, amusement or entertainment and the gross income  
31 from instructional activities. If the books do not provide this separate  
32 accounting, the tax is imposed on the person's total gross income from the  
33 business.

34 F. The department shall separately account for revenues collected  
35 under the amusement classification for the purposes of section 42-5029,  
36 subsection D, paragraph 4, subdivision (b).

37 G. For the purposes of section 42-5032.01, the department shall  
38 separately account for revenues collected under the amusement  
39 classification from sales of admissions to:

40 1. Events that are held in a multipurpose facility that is owned or  
41 operated by the tourism and sports authority pursuant to title 5, chapter  
42 8, including intercollegiate football contests that are operated by a  
43 nonprofit organization that is exempt from taxation under section  
44 501(c)(3) of the internal revenue code.

1       2. Professional football contests that are held in a stadium  
2 located on the campus of an institution under the jurisdiction of the  
3 Arizona board of regents.

4       Sec. 4. Section 42-5074, Arizona Revised Statutes, is amended to  
5 read:

6       42-5074. Restaurant classification

7       A. The restaurant classification is comprised of the business of  
8 operating restaurants, dining cars, dining rooms, lunchrooms, lunch  
9 stands, soda fountains, catering services or similar establishments where  
10 articles of food or drink are sold for consumption on or off the premises.

11      B. The tax base for the restaurant classification is the gross  
12 proceeds of sales or gross income derived from the business. The gross  
13 proceeds of sales or gross income derived from the following shall be  
14 deducted from the tax base:

15      1. Sales to a person engaged in business classified under the  
16 restaurant classification if the items sold are to be resold in the  
17 regular course of the business.

18      2. Sales by a congressionally chartered veterans organization of  
19 food or drink prepared for consumption on the premises leased, owned or  
20 maintained by the organization.

21      3. Sales by churches, fraternal benefit societies and other  
22 nonprofit organizations, as these organizations are defined in the federal  
23 internal revenue code (26 United States Code section 501), that do not  
24 regularly engage or continue in the restaurant business for the purpose of  
25 fund-raising.

26      4. Sales by a nonprofit organization that is exempt from taxation  
27 under section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue  
28 code if the organization is associated with a major league baseball team  
29 or a national touring professional golfing association and no part of the  
30 organization's net earnings inures to the benefit of any private  
31 shareholder or individual. **THIS PARAGRAPH DOES NOT APPLY TO AN  
32 ORGANIZATION THAT IS OWNED, MANAGED OR CONTROLLED, IN WHOLE OR IN PART, BY  
33 A MAJOR LEAGUE BASEBALL TEAM, OR ITS OWNERS, OFFICERS, EMPLOYEES OR  
34 AGENTS, OR BY A MAJOR LEAGUE BASEBALL ASSOCIATION OR PROFESSIONAL GOLFING  
35 ASSOCIATION, OR ITS OWNERS, OFFICERS, EMPLOYEES OR AGENTS, UNLESS THE  
36 ORGANIZATION CONDUCTED OR OPERATED EXHIBITION EVENTS IN THIS STATE BEFORE  
37 JANUARY 1, 2018 THAT WERE EXEMPT FROM TAXATION UNDER SECTION 42-5073.**

38      5. Sales at a rodeo featuring primarily farm and ranch animals in  
39 this state by a nonprofit organization that is exempt from taxation under  
40 section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the  
41 internal revenue code **and IF** no part of the organization's net earnings  
42 inures to the benefit of any private shareholder or individual.

43      6. Sales by any nonprofit organization organized and operated  
44 exclusively for charitable purposes and recognized by the United States

1 internal revenue service under section 501(c)(3) of the internal revenue  
2 code.

3       7. Sales to qualifying hospitals as defined in section 42-5001.

4       8. Sales to a qualifying health care organization as defined in  
5 section 42-5001 if the tangible personal property is used by the  
6 organization solely to provide health and medical related educational and  
7 charitable services.

8       9. Sales of food, drink and condiment for consumption within the  
9 premises of any prison, jail or other institution under the jurisdiction  
10 of the state department of corrections, the department of public safety,  
11 the department of juvenile corrections or a county sheriff.

12     10. Sales of articles of prepared or unprepared food, drink or  
13 condiment and accessory tangible personal property to a school district or  
14 charter school if the articles and accessory tangible personal property  
15 are served to persons for consumption on the premises of a public school  
16 in the school district or charter school during school hours.

17     11. Prepared food, drink or condiment donated by a restaurant to a  
18 nonprofit charitable organization that has qualified under section  
19 501(c)(3) of the internal revenue code and that regularly serves meals to  
20 the needy and indigent on a continuing basis at no cost.

21     12. Sales of articles of food and drink at low or reduced prices to  
22 eligible elderly, ~~disabled~~ or homeless persons **OR PERSONS WITH A**  
23 **DISABILITY** by a restaurant that contracts with the department of economic  
24 security and that is approved by the food and nutrition services of the  
25 United States department of agriculture pursuant to the supplemental  
26 nutrition assistance program established by the food and nutrition act of  
27 2008 (P.L. 110-246; 122 Stat. 1651; 7 United States Code sections 2011  
28 through 2036a), if the purchases of the articles of food and drink are  
29 made with the benefits issued pursuant to the supplemental nutrition  
30 assistance program.

31     C. The tax imposed on the restaurant classification pursuant to  
32 this section does not apply to the gross proceeds of sales or gross income  
33 from tangible personal property sold to a commercial airline consisting of  
34 food, beverages and condiments and accessories used for serving the food  
35 and beverages, if those items are to be provided without additional charge  
36 to passengers for consumption in flight. For the purposes of this  
37 subsection, "commercial airline" means a person holding a federal  
38 certificate of public convenience and necessity or foreign air carrier  
39 permit for air transportation to transport persons, property or United  
40 States mail in intrastate, interstate or foreign commerce.

41     D. The department shall separately account for revenues collected  
42 under the restaurant classification for the purposes of section 42-5029,  
43 subsection D, paragraph 4, subdivision (b).

44     E. For **THE** purposes of section 42-5032.01, the department shall  
45 separately account for revenues collected under the restaurant

1 classification from businesses operating restaurants, dining rooms,  
2 lunchrooms, lunch stands, soda fountains, catering services or similar  
3 establishments:

4 1. On the premises of a multipurpose facility that is owned or  
5 operated by the tourism and sports authority pursuant to title 5, chapter  
6 8 for consumption on or off the premises.

7 2. At professional football contests that are held in a stadium  
8 located on the campus of an institution under the jurisdiction of the  
9 Arizona board of regents.

10 Sec. 5. Section 42-5159, Arizona Revised Statutes, is amended to  
11 read:

12 **42-5159. Exemptions**

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

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

19 2. Tangible personal property, the sale or use of which has already  
20 been subjected to an excise tax at a rate equal to or exceeding the tax  
21 imposed by this article under the laws of another state of the United  
22 States. If the excise tax imposed by the other state is at a rate less  
23 than the tax imposed by this article, the tax imposed by this article is  
24 reduced by the amount of the tax already imposed by the other state.

25 3. Tangible personal property, the storage, use or consumption of  
26 which the constitution or laws of the United States prohibit this state  
27 from taxing or to the extent that the rate or imposition of tax is  
28 unconstitutional under the laws of the United States.

29 4. Tangible personal property that directly enters into and becomes  
30 an ingredient or component part of any manufactured, fabricated or  
31 processed article, substance or commodity for sale in the regular course  
32 of business.

33 5. Motor vehicle fuel and use fuel, the sales, distribution or use  
34 of which in this state is subject to the tax imposed under title 28,  
35 chapter 16, article 1, use fuel that is sold to or used by a person  
36 holding a valid single trip use fuel tax permit issued under  
37 section 28-5739, aviation fuel, the sales, distribution or use of which in  
38 this state is subject to the tax imposed under section 28-8344, and jet  
39 fuel, the sales, distribution or use of which in this state is subject to  
40 the tax imposed under article 8 of this chapter.

41 6. Tangible personal property brought into this state by an  
42 individual who was a nonresident at the time the property was purchased  
43 for storage, use or consumption by the individual if the first actual use  
44 or consumption of the property was outside this state, unless the property  
45 is used in conducting a business in this state.

1       7. Purchases of implants used as growth promotants and injectable  
2 medicines, not already exempt under paragraph 16 of this subsection, for  
3 livestock and poultry owned by, or in possession of, persons who are  
4 engaged in producing livestock, poultry, or livestock or poultry products,  
5 or who are engaged in feeding livestock or poultry commercially. For the  
6 purposes of this paragraph, "poultry" includes ratites.

7       8. Purchases of:

8           (a) Livestock and poultry to persons engaging in the businesses of  
9 farming, ranching or producing livestock or poultry.

10           (b) Livestock and poultry feed, salts, vitamins and other additives  
11 sold to persons for use or consumption in the businesses of farming,  
12 ranching and producing or feeding livestock or poultry or for use or  
13 consumption in noncommercial boarding of livestock. For the purposes of  
14 this paragraph, "poultry" includes ratites.

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

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

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

26           12. Materials that are purchased by or for publicly funded  
27 libraries including school district libraries, charter school libraries,  
28 community college libraries, state university libraries or federal, state,  
29 county or municipal libraries for use by the public as follows:

30           (a) Printed or photographic materials, beginning August 7, 1985.  
31           (b) Electronic or digital media materials, beginning July 17, 1994.

32           13. Tangible personal property purchased by:

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

36           (b) A hospital operated by this state or a political subdivision of  
37 this state.

38           (c) A licensed nursing care institution or a licensed residential  
39 care institution or a residential care facility operated in conjunction  
40 with a licensed nursing care institution or a licensed kidney dialysis  
41 center, which provides medical services, nursing services or health  
42 related services and is not used or held for profit.

43           (d) A qualifying health care organization, as defined in section  
44 42-5001, if the tangible personal property is used by the organization

1 solely to provide health and medical related educational and charitable  
2 services.

3 (e) A qualifying health care organization as defined in section  
4 42-5001 if the organization is dedicated to providing educational,  
5 therapeutic, rehabilitative and family medical education training for  
6 blind and visually impaired children and children with multiple  
7 disabilities from the time of birth to age twenty-one.

8 (f) A nonprofit charitable organization that has qualified under  
9 section 501(c)(3) of the United States internal revenue code and that  
10 engages in and uses such property exclusively in programs for persons with  
11 mental or physical disabilities if the programs are exclusively for  
12 training, job placement, rehabilitation or testing.

13 (g) A person that is subject to tax under this chapter by reason of  
14 being engaged in business classified under section 42-5075, or a  
15 subcontractor working under the control of a person that is engaged in  
16 business classified under section 42-5075, if the tangible personal  
17 property is any of the following:

18 (i) Incorporated or fabricated by the person into a structure,  
19 project, development or improvement in fulfillment of a contract.

20 (ii) Incorporated or fabricated by the person into any project  
21 described in section 42-5075, subsection 0.

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

24 (h) A person that is not subject to tax under section 42-5075 and  
25 that has been provided a copy of a certificate described in section  
26 42-5009, subsection L, if the property purchased is incorporated or  
27 fabricated by the person into the real property, structure, project,  
28 development or improvement described in the certificate.

29 (i) A nonprofit charitable organization that has qualified under  
30 section 501(c)(3) of the internal revenue code if the property is  
31 purchased from the parent or an affiliate organization that is located  
32 outside this state.

33 (j) A qualifying community health center as defined in section  
34 42-5001.

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

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

43 (m) For taxable periods beginning from and after June 30, 2001, a  
44 nonprofit charitable organization that has qualified under section  
45 501(c)(3) of the internal revenue code and that provides residential

1 apartment housing for low income persons over sixty-two years of age in a  
2 facility that qualifies for a federal housing subsidy, if the tangible  
3 personal property is used by the organization solely to provide  
4 residential apartment housing for low income persons over sixty-two years  
5 of age in a facility that qualifies for a federal housing subsidy.

6 (n) A qualifying health sciences educational institution as defined  
7 in section 42-5001.

8 (o) A person representing or working on behalf of any person  
9 described in subdivision (a), (b), (c), (d), (e), (f), (i), (j), (k), (m)  
10 or (n) of this paragraph, if the tangible personal property is  
11 incorporated or fabricated into a project described in section 42-5075,  
12 subsection 0.

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

18 15. Tangible personal property sold by:

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

22 (b) A nonprofit organization that is exempt from taxation under  
23 section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if  
24 the organization is associated with a major league baseball team or a  
25 national touring professional golfing association and no part of the  
26 organization's net earnings inures to the benefit of any private  
27 shareholder or individual. **THIS SUBDIVISION DOES NOT APPLY TO AN**  
28 **ORGANIZATION THAT IS OWNED, MANAGED OR CONTROLLED, IN WHOLE OR IN PART, BY**  
29 **A MAJOR LEAGUE BASEBALL TEAM, OR ITS OWNERS, OFFICERS, EMPLOYEES OR**  
30 **AGENTS, OR BY A MAJOR LEAGUE BASEBALL ASSOCIATION OR PROFESSIONAL GOLFING**  
31 **ASSOCIATION, OR ITS OWNERS, OFFICERS, EMPLOYEES OR AGENTS, UNLESS THE**  
32 **ORGANIZATION CONDUCTED OR OPERATED EXHIBITION EVENTS IN THIS STATE BEFORE**  
33 **JANUARY 1, 2018 THAT WERE EXEMPT FROM TRANSACTION PRIVILEGE TAX UNDER**  
34 **SECTION 42-5073.**

35 (c) A nonprofit organization that is exempt from taxation under  
36 section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the  
37 internal revenue code if the organization sponsors or operates a rodeo  
38 featuring primarily farm and ranch animals and no part of the  
39 organization's net earnings inures to the benefit of any private  
40 shareholder or individual.

41 16. Drugs and medical oxygen, including delivery hose, mask or  
42 tent, regulator and tank, on the prescription of a member of the medical,  
43 dental or veterinarian profession who is licensed by law to administer  
44 such substances.

- 1        17. Prosthetic appliances, as defined in section 23-501, prescribed  
2 or recommended by a person who is licensed, registered or otherwise  
3 professionally credentialed as a physician, dentist, podiatrist,  
4 chiropractor, naturopath, homeopath, nurse or optometrist.
- 5        18. Prescription eyeglasses and contact lenses.
- 6        19. Insulin, insulin syringes and glucose test strips.
- 7        20. Hearing aids as defined in section 36-1901.
- 8        21. Durable medical equipment that has a centers for medicare and  
9 medicaid services common procedure code, is designated reimbursable by  
10 medicare, is prescribed by a person who is licensed under title 32,  
11 chapter 7, 13, 17 or 29, can withstand repeated use, is primarily and  
12 customarily used to serve a medical purpose, is generally not useful to a  
13 person in the absence of illness or injury and is appropriate for use in  
14 the home.
- 15        22. Food, as provided in and subject to the conditions of article 3  
16 of this chapter and section 42-5074.
- 17        23. Items purchased with United States department of agriculture  
18 food stamp coupons issued under the food stamp act of 1977 (P.L. 95-113;  
19 91 Stat. 958) or food instruments issued under section 17 of the child  
20 nutrition act (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42  
21 United States Code section 1786).
- 22        24. Food and drink provided without monetary charge by a taxpayer  
23 that is subject to section 42-5074 to its employees for their own  
24 consumption on the premises during the employees' hours of employment.
- 25        25. Tangible personal property that is used or consumed in a  
26 business subject to section 42-5074 for human food, drink or condiment,  
27 whether simple, mixed or compounded.
- 28        26. Food, drink or condiment and accessory tangible personal  
29 property that are acquired for use by or provided to a school district or  
30 charter school if they are to be either served or prepared and served to  
31 persons for consumption on the premises of a public school in the school  
32 district or on the premises of the charter school during school hours.
- 33        27. Lottery tickets or shares purchased pursuant to title 5,  
34 chapter 5.1, article 1.
- 35        28. Textbooks, sold by a bookstore, that are required by any state  
36 university or community college.
- 37        29. Magazines, other periodicals or other publications produced by  
38 this state to encourage tourist travel.
- 39        30. Paper machine clothing, such as forming fabrics and dryer  
40 felts, purchased by a paper manufacturer and directly used or consumed in  
41 paper manufacturing.
- 42        31. Coal, petroleum, coke, natural gas, virgin fuel oil and  
43 electricity purchased by a qualified environmental technology  
44 manufacturer, producer or processor as defined in section 41-1514.02 and  
45 directly used or consumed in the generation or provision of on-site power

1 or energy solely for environmental technology manufacturing, producing or  
2 processing or environmental protection. This paragraph shall apply for  
3 twenty full consecutive calendar or fiscal years from the date the first  
4 paper manufacturing machine is placed in service. In the case of an  
5 environmental technology manufacturer, producer or processor who does not  
6 manufacture paper, the time period shall begin with the date the first  
7 manufacturing, processing or production equipment is placed in service.

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

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

12       (b) Public educational institutions.

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

16       33. Natural gas or liquefied petroleum gas used to propel a motor  
17 vehicle.

18       34. Machinery, equipment, technology or related supplies that are  
19 only useful to assist a person with a physical disability as defined in  
20 section 46-191 or a person who has a developmental disability as defined  
21 in section 36-551 or has a head injury as defined in section 41-3201 to be  
22 more independent and functional.

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

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

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

1       38. Tangible personal property that is or directly enters into and  
2 becomes an ingredient or component part of cards used as prescription plan  
3 identification cards.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

42      51. Motor vehicle fuel and use fuel to a qualified business under  
43 section 41-1516 for off-road use in harvesting, processing or transporting  
44 qualifying forest products removed from qualifying projects as defined in  
45 section 41-1516.

1       52. Repair parts installed in equipment used directly by a  
2 qualified business under section 41-1516 in harvesting, processing or  
3 transporting qualifying forest products removed from qualifying projects  
4 as defined in section 41-1516.

5       53. Renewable energy credits or any other unit created to track  
6 energy derived from renewable energy resources. For the purposes of this  
7 paragraph, "renewable energy credit" means a unit created administratively  
8 by the corporation commission or governing body of a public power entity  
9 to track kilowatt hours of electricity derived from a renewable energy  
10 resource or the kilowatt hour equivalent of conventional energy resources  
11 displaced by distributed renewable energy resources.

12       54. 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       55. Coal acquired from an owner or operator of a power plant by a  
21 person who is responsible for refining coal if both of the following  
22 apply:

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

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

31       56. Tangible personal property incorporated or fabricated into a  
32 project described in section 42-5075, subsection 0, that is located within  
33 the exterior boundaries of an Indian reservation for which the owner, as  
34 defined in section 42-5075, of the project is an Indian tribe or an  
35 affiliated Indian. For the purposes of this paragraph:

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

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

44           (c) "Indian tribe" means any organized nation, tribe, band or  
45 community that is recognized as an Indian tribe by the United States

1 department of the interior and includes any entity formed under the laws  
2 of the Indian tribe.

3 57. Cash equivalents, precious metal bullion and monetized bullion  
4 purchased by the ultimate consumer, but coins or other forms of money for  
5 manufacture into jewelry or works of art are subject to tax, and tangible  
6 personal property that is purchased through the redemption of any cash  
7 equivalent by the holder as a means of payment for goods that are subject  
8 to tax under this article is subject to tax. For the purposes of this  
9 paragraph:

10 (a) "Cash equivalents" means items, whether or not negotiable, that  
11 are sold to one or more persons, through which a value denominated in  
12 money is purchased in advance and that may be redeemed in full or in part  
13 for tangible personal property, intangibles or services. Cash equivalents  
14 include gift cards, stored value cards, gift certificates, vouchers,  
15 traveler's checks, money orders or other tangible instruments or orders.  
16 Cash equivalents do not include either of the following:

17 (i) Items that are sold to one or more persons and through which a  
18 value is not denominated in money.

19 (ii) Prepaid calling cards for telecommunications services.

20 (b) "Monetized bullion" means coins and other forms of money that  
21 are manufactured from gold, silver or other metals and that have been or  
22 are used as a medium of exchange in this or another state, the United  
23 States or a foreign nation.

24 (c) "Precious metal bullion" means precious metal, including gold,  
25 silver, platinum, rhodium and palladium, that has been smelted or refined  
26 so that its value depends on its contents and not on its form.

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

30 1. Machinery, or equipment, used directly in manufacturing,  
31 processing, fabricating, job printing, refining or metallurgical  
32 operations. The terms "manufacturing", "processing", "fabricating", "job  
33 printing", "refining" and "metallurgical" as used in this paragraph refer  
34 to and include those operations commonly understood within their ordinary  
35 meaning. "Metallurgical operations" includes leaching, milling,  
36 precipitating, smelting and refining.

37 2. Machinery, or equipment, used directly in the process of  
38 extracting ores or minerals from the earth for commercial purposes,  
39 including equipment required to prepare the materials for extraction and  
40 handling, loading or transporting such extracted material to the surface.  
41 "Mining" includes underground, surface and open pit operations for  
42 extracting ores and minerals.

43 3. Tangible personal property sold to persons engaged in business  
44 classified under the telecommunications classification under section  
45 42-5064, including a person representing or working on behalf of such a

1 person in a manner described in section 42-5075, subsection 0, and  
2 consisting of central office switching equipment, switchboards, private  
3 branch exchange equipment, microwave radio equipment and carrier equipment  
4 including optical fiber, coaxial cable and other transmission media that  
5 are components of carrier systems.

6 4. Machinery, equipment or transmission lines used directly in  
7 producing or transmitting electrical power, but not including  
8 distribution. Transformers and control equipment used at transmission  
9 substation sites constitute equipment used in producing or transmitting  
10 electrical power.

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

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

19 7. Aircraft, navigational and communication instruments and other  
20 accessories and related equipment sold to:

21 (a) A person:

22 (i) Holding, or exempted by federal law from obtaining, a federal  
23 certificate of public convenience and necessity for use as, in conjunction  
24 with or becoming part of an aircraft to be used to transport persons for  
25 hire in intrastate, interstate or foreign commerce.

26 (ii) That is certificated or licensed under federal aviation  
27 administration regulations (14 Code of Federal Regulations part 121 or  
28 135) as a scheduled or unscheduled carrier of persons for hire for use as  
29 or in conjunction with or becoming part of an aircraft to be used to  
30 transport persons for hire in intrastate, interstate or foreign commerce.

31 (iii) Holding a foreign air carrier permit for air transportation  
32 for use as or in conjunction with or becoming a part of aircraft to be  
33 used to transport persons, property or United States mail in intrastate,  
34 interstate or foreign commerce.

35 (iv) Operating an aircraft to transport persons in any manner for  
36 compensation or hire, or for use in a fractional ownership program that  
37 meets the requirements of federal aviation administration regulations (14  
38 Code of Federal Regulations part 91, subpart K), including as an air  
39 carrier, a foreign air carrier or a commercial operator or under a  
40 restricted category, within the meaning of 14 Code of Federal Regulations,  
41 regardless of whether the operation or aircraft is regulated or certified  
42 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code  
43 of Federal Regulations.

44 (v) That will lease or otherwise transfer operational control,  
45 within the meaning of federal aviation administration operations

1 specification A008, or its successor, of the aircraft, instruments or  
2 accessories to one or more persons described in item (i), (ii), (iii) or  
3 (iv) of this subdivision, subject to section 42-5009, subsection Q.

4 (b) Any foreign government.

5 (c) Persons who are not residents of this state and who will not  
6 use such property in this state other than in removing such property from  
7 this state. This subdivision also applies to corporations that are not  
8 incorporated in this state, regardless of maintaining a place of business  
9 in this state, if the principal corporate office is located outside this  
10 state and the property will not be used in this state other than in  
11 removing the property from this state.

12 8. Machinery, tools, equipment and related supplies used or  
13 consumed directly in repairing, remodeling or maintaining aircraft,  
14 aircraft engines or aircraft component parts by or on behalf of a  
15 certificated or licensed carrier of persons or property.

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

18 10. Machinery or equipment used directly to drill for oil or gas or  
19 used directly in the process of extracting oil or gas from the earth for  
20 commercial purposes.

21 11. Buses or other urban mass transit vehicles that are used  
22 directly to transport persons or property for hire or pursuant to a  
23 governmentally adopted and controlled urban mass transportation program  
24 and that are sold to bus companies holding a federal certificate of  
25 convenience and necessity or operated by any city, town or other  
26 governmental entity or by any person contracting with such governmental  
27 entity as part of a governmentally adopted and controlled program to  
28 provide urban mass transportation.

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

30 13. New machinery and equipment consisting of agricultural  
31 aircraft, tractors, tractor-drawn implements, self-powered implements,  
32 machinery and equipment necessary for extracting milk, and machinery and  
33 equipment necessary for cooling milk and livestock, and drip irrigation  
34 lines not already exempt under paragraph 6 of this subsection and that are  
35 used for commercial production of agricultural, horticultural,  
36 viticultural and floricultural crops and products in this state. For the  
37 purposes of this paragraph:

38 (a) "New machinery and equipment" means machinery or equipment that  
39 has never been sold at retail except pursuant to leases or rentals that do  
40 not total two years or more.

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

43 14. Machinery or equipment used in research and development. For  
44 the purposes of this paragraph, "research and development" means basic and  
45 applied research in the sciences and engineering, and designing,

1 developing or testing prototypes, processes or new products, including  
2 research and development of computer software that is embedded in or an  
3 integral part of the prototype or new product or that is required for  
4 machinery or equipment otherwise exempt under this section to function  
5 effectively. Research and development do not include manufacturing  
6 quality control, routine consumer product testing, market research, sales  
7 promotion, sales service, research in social sciences or psychology,  
8 computer software research that is not included in the definition of  
9 research and development, or other nontechnological activities or  
10 technical services.

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

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

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

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

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

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

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

41 (a) Includes the integrated systems, fixtures, piping, movable  
42 partitions, lighting and all property that is necessary or adapted to  
43 reduce contamination or to control airflow, temperature, humidity,  
44 chemical purity or other environmental conditions or manufacturing

1 tolerances, as well as the production machinery and equipment operating in  
2 conjunction with the clean room environment.

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

5 17. Machinery and equipment that are used directly in the feeding  
6 of poultry, the environmental control of housing for poultry, the movement  
7 of eggs within a production and packaging facility or the sorting or  
8 cooling of eggs. This exemption does not apply to vehicles used for  
9 transporting eggs.

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

20 19. Machinery and equipment that are used in the commercial  
21 production of livestock, livestock products or agricultural,  
22 horticultural, viticultural or floricultural crops or products in this  
23 state, including production by a person representing or working on behalf  
24 of such a person in a manner described in section 42-5075, subsection 0,  
25 if the machinery and equipment are used directly and primarily to prevent,  
monitor, control or reduce air, water or land pollution.

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

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

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

38 (c) Any machinery or equipment purchased after the television  
39 station has ceased analog broadcasting, or purchased after November 1,  
40 2009, whichever occurs first.

41 21. Qualifying equipment that is purchased from and after June 30,  
42 2004 through June 30, 2024 by a qualified business under section 41-1516  
43 for harvesting or processing qualifying forest products removed from  
44 qualifying projects as defined in section 41-1516. To qualify for this

1 exemption, the qualified business must obtain and present its  
2 certification from the Arizona commerce authority at the time of purchase.

3       22. Machinery, equipment, materials and other tangible personal  
4 property used directly and predominantly to construct a qualified  
5 environmental technology manufacturing, producing or processing facility  
6 as described in section 41-1514.02. This paragraph applies for ten full  
7 consecutive calendar or fiscal years after the start of initial  
8 construction.

9       C. The exemptions provided by subsection B of this section do not  
10 include:

11       1. Expendable materials. For the purposes of this paragraph,  
12 expendable materials do not include any of the categories of tangible  
13 personal property specified in subsection B of this section regardless of  
14 the cost or useful life of that property.

15       2. Janitorial equipment and hand tools.

16       3. Office equipment, furniture and supplies.

17       4. Tangible personal property used in selling or distributing  
18 activities, other than the telecommunications transmissions described in  
19 subsection B, paragraph 15 of this section.

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

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

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

27       8. Machinery and equipment or tangible personal property used by a  
28 contractor in the performance of a contract.

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

31       1. Revenues received from sales of ancillary services, electric  
32 distribution services, electric generation services, electric transmission  
33 services and other services related to providing electricity to a retail  
34 electric customer who is located outside this state for use outside this  
35 state if the electricity is delivered to a point of sale outside this  
36 state.

37       2. Revenues received from providing electricity, including  
38 ancillary services, electric distribution services, electric generation  
39 services, electric transmission services and other services related to  
40 providing electricity with respect to which the transaction privilege tax  
41 imposed under section 42-5063 has been paid.

42       E. The tax levied by this article does not apply to the purchase of  
43 solar energy devices from a retailer that is registered with the  
44 department as a solar energy retailer or a solar energy contractor.

1       F. The following shall be deducted in computing the purchase price  
2 of electricity by a retail electric customer from a utility business:

3       1. Fees charged by a municipally owned utility to persons  
4 constructing residential, commercial or industrial developments or  
5 connecting residential, commercial or industrial developments to a  
6 municipal utility system or systems if the fees are segregated and used  
7 only for capital expansion, system enlargement or debt service of the  
8 utility system or systems.

9       2. Reimbursement or contribution compensation to any person or  
10 persons owning a utility system for property and equipment installed to  
11 provide utility access to, on or across the land of an actual utility  
12 consumer if the property and equipment become the property of the utility.  
13 This deduction shall not exceed the value of such property and equipment.

14       G. The tax levied by this article does not apply to the purchase  
15 price of electricity, natural gas or liquefied petroleum gas by:

16       1. A qualified manufacturing or smelting business. A utility that  
17 claims this deduction shall report each month, on a form prescribed by the  
18 department, the name and address of each qualified manufacturing or  
19 smelting business for which this deduction is taken. This paragraph  
20 applies to gas transportation services. For the purposes of this  
21 paragraph:

22       (a) "Gas transportation services" means the services of  
23 transporting natural gas to a natural gas customer or to a natural gas  
24 distribution facility if the natural gas was purchased from a supplier  
25 other than the utility.

26       (b) "Manufacturing" means the performance as a business of an  
27 integrated series of operations that places tangible personal property in  
28 a form, composition or character different from that in which it was  
29 acquired and transforms it into a different product with a distinctive  
30 name, character or use. Manufacturing does not include job printing,  
31 publishing, packaging, mining, generating electricity or operating a  
32 restaurant.

33       (c) "Qualified manufacturing or smelting business" means one of the  
34 following:

35       (i) A business that manufactures or smelts tangible products in  
36 this state, of which at least fifty-one percent of the manufactured or  
37 smelted products will be exported out of state for incorporation into  
38 another product or sold out of state for a final sale.

39       (ii) A business that derives at least fifty-one percent of its  
40 gross income from the sale of manufactured or smelted products  
41 manufactured or smelted by the business.

42       (iii) A business that uses at least fifty-one percent of its square  
43 footage in this state for manufacturing or smelting and business  
44 activities directly related to manufacturing or smelting.

(iv) A business that employs at least fifty-one percent of its workforce in this state in manufacturing or smelting and business activities directly related to manufacturing or smelting.

(v) A business that uses at least fifty-one percent of the value of its capitalized assets in this state, as reflected on the business's books and records, for manufacturing or smelting and business activities directly related to manufacturing or smelting.

(d) "Smelting" means to melt or fuse a metalliferous mineral, often with an accompanying chemical change, usually to separate the metal.

2. A business that operates an international operations center in this state and that is certified by the Arizona commerce authority pursuant to section 41-1520.

H. For the purposes of subsection B of this section:

1. "Agricultural aircraft" means an aircraft that is built for agricultural use for the aerial application of pesticides or fertilizer or for aerial seeding.

2. "Aircraft" includes:

(a) An airplane flight simulator that is approved by the federal aviation administration for use as a phase II or higher flight simulator under appendix H, 14 Code of Federal Regulations part 121.

(b) Tangible personal property that is permanently affixed or attached as a component part of an aircraft that is owned or operated by a certificated or licensed carrier of persons or property.

3. "Other accessories and related equipment" includes aircraft accessories and equipment such as ground service equipment that physically contact aircraft at some point during the overall carrier operation.

I. For the purposes of subsection D of this section, "ancillary services", "electric distribution service", "electric generation service", "electric transmission service" and "other services" have the same meanings prescribed in section 42-5063.

Sec. 6. Section 42-6004, Arizona Revised Statutes, is amended to read:

42-6004. Exemption from municipal tax; definitions

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

1. Exhibition events in this state sponsored, conducted or operated by a nonprofit organization that is exempt from taxation under section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the organization is associated with a major league baseball team or a national touring professional golfing association and no part of the organization's net earnings inures to the benefit of any private shareholder or individual. THIS PARAGRAPH DOES NOT APPLY TO AN ORGANIZATION THAT IS OWNED, MANAGED OR CONTROLLED, IN WHOLE OR IN PART, BY A MAJOR LEAGUE BASEBALL TEAM, OR ITS OWNERS, OFFICERS, EMPLOYEES OR AGENTS, OR BY A MAJOR LEAGUE BASEBALL ASSOCIATION OR PROFESSIONAL GOLFING ASSOCIATION, OR ITS

1 OWNERS, OFFICERS, EMPLOYEES OR AGENTS, UNLESS THE ORGANIZATION CONDUCTED  
2 OR OPERATED EXHIBITION EVENTS IN THIS STATE BEFORE JANUARY 1, 2018 THAT  
3 WERE EXEMPT FROM STATE TRANSACTION PRIVILEGE TAX UNDER SECTION 42-5073.

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

7 3. Sales of warranty or service contracts.

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

11 5. Interest on finance contracts.

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

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

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

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

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

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

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

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

42 (a) "Affiliated companies, businesses, persons or reciprocal  
43 insurers" means the lessor holds a controlling interest in the lessee, the  
44 lessee holds a controlling interest in the lessor, affiliated persons hold

1 a controlling interest in both the lessor and the lessee, or an unrelated  
2 person holds a controlling interest in both the lessor and lessee.

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

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

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

11 (e) "Reciprocal insurer" has the same meaning prescribed in section  
12 20-762.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) This paragraph does not apply to a contract that primarily involves surface or subsurface improvements to land and that is subject to title 28, chapter 19, 20 or 22 or title 34, chapter 2 or 6 even if the contract also includes vertical improvements. If a city or town imposes a tax on contracts that are subject to procurement processes under those provisions, the city or town shall include in the request for proposals a

1 notice to bidders when those projects are subject to the tax. This  
2 subdivision does not apply to contracts with:

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

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

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

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

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

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

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

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

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

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. 7. Retroactivity

27 This act applies retroactively to taxable periods beginning from and  
28 after December 31, 2017.

APPROVED BY THE GOVERNOR APRIL 17, 2018.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 17, 2018.