

REFERENCE TITLE: **prescription drugs; municipal tax exemption**

State of Arizona  
House of Representatives  
Fifty-fourth Legislature  
First Regular Session  
2019

## **HB 2159**

Introduced by  
Representatives Bolick: Biasiucci, Blackman, Carroll, Fillmore, Payne,  
Toma

### **AN ACT**

AMENDING SECTION 42-6004, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2018, CHAPTER 17, SECTION 1, CHAPTER 249, SECTION 6 AND CHAPTER 341, SECTION 2; AMENDING SECTION 42-6004, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2018, CHAPTER 17, SECTION 1, CHAPTER 249, SECTION 6, CHAPTER 263, SECTION 3 AND CHAPTER 341, SECTION 2; RELATING TO LOCAL EXCISE TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 42-6004, Arizona Revised Statutes, as amended by  
3 Laws 2018, chapter 17, section 1, chapter 249, section 6 and chapter 341,  
4 section 2, is amended to read:

5 42-6004. Exemption from municipal tax; definitions

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

8 1. 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 a major league baseball team 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 state transaction privilege tax under section 42-5073.

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

24 3. Sales of warranty or service contracts.

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

28 5. Interest on finance contracts.

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

30 7. Orthodontic devices dispensed by a dental professional who is  
31 licensed under title 32, chapter 11 to a patient as part of the practice  
32 of dentistry.

33 8. Sales of internet access services to the person's subscribers  
34 and customers. For the purposes of this paragraph:

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

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

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

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

6           (a) "Affiliated companies, businesses, persons or reciprocal  
7 insurers" means the lessor holds a controlling interest in the lessee, the  
8 lessee holds a controlling interest in the lessor, affiliated persons hold  
9 a controlling interest in both the lessor and the lessee, or an unrelated  
10 person holds a controlling interest in both the lessor and lessee.

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

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

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

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

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

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

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

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

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

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

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

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

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

12. 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.

13. 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.

14. 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

1 order to follow the tax treatment of the contract to which the scope of  
2 work of the subsequent change order directly relates.

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

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

13 (i) Community facilities districts, fire districts, county  
14 television improvement districts, community park maintenance districts,  
15 cotton pest control districts, hospital districts, pest abatement  
16 districts, health service districts, agricultural improvement districts,  
17 county free library districts, county jail districts, county stadium  
18 districts, special health care districts, public health services  
19 districts, theme park districts or revitalization districts.

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

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

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

30 17. The transfer of title or possession of coal back and forth  
31 between an owner or operator of a power plant and a person who is  
32 responsible for refining coal if both of the following apply:

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

35 (b) The title or possession of the coal is transferred back to the  
36 owner or operator of the power plant after completion of the coal refining  
37 process. For the purposes of this subdivision, "coal refining process"  
38 means the application of a coal additive system that aids the reduction of  
39 power plant emissions during the combustion of coal and the treatment of  
40 flue gas.

41 18. Tangible personal property incorporated or fabricated into a  
42 project described in paragraph 14 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:

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

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

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

13 19. 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 20. 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 21. 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 22. SALES OF DRUGS AND MEDICAL OXYGEN, INCLUDING A DELIVERY HOSE,  
33 MASK OR TENT, REGULATOR AND TANK, PRESCRIBED BY A MEMBER OF THE MEDICAL,  
34 DENTAL OR VETERINARIAN PROFESSION WHO IS LICENSED BY LAW TO ADMINISTER  
35 SUCH SUBSTANCES.

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

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

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

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

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

11           4. Incarcerating or detaining in a privately operated prison, jail  
12 or detention facility prisoners who are under the jurisdiction of the  
13 United States, this state or any other state or a political subdivision of  
14 this state or of any other state.

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

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

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

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

31           (c) "Development fees" means fees imposed to offset capital costs  
32 of providing public infrastructure, public safety or other public services  
33 to a development and authorized pursuant to section 9-463.05, section  
34 11-1102 or title 48 regardless of the jurisdiction to which the fees are  
35 paid.

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

38           8. Transporting for hire persons by transportation network company  
39 drivers on transactions involving transportation network services as  
40 defined in section 28-9551.

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

1           10. Transporting for hire persons by vehicle for hire drivers on  
2 transactions involving vehicle for hire services as defined in section  
3 28-9501.

4           D. A city, town or other taxing jurisdiction shall not levy a  
5 transaction privilege, sales, use, franchise or other similar tax or fee,  
6 however denominated, in excess of one-tenth of one percent of the value of  
7 the entire product mined, smelted, extracted, refined, produced or  
8 prepared for sale, profit or commercial use, on persons engaged in the  
9 business of mineral processing, except to the extent that the tax is  
10 computed on the gross proceeds or gross income from sales at retail.

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

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

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

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

21           G. For the purposes of this section:

22           1. "Cable operator" has the same meaning prescribed in section  
23 9-505.

24           2. "Electrical services" means transmitting or distributing  
25 electricity, electric lights, current or power over lines, wires or  
26 cables.

27           3. "Telecommunication services" means transmitting or relaying  
28 sound, visual image, data, information, images or material over lines,  
29 wires or cables by radio signal, light beam, telephone, telegraph or other  
30 electromagnetic means.

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

34           Sec. 2. Section 42-6004, Arizona Revised Statutes, as amended by  
35 Laws 2018, chapter 17, section 1, chapter 249, section 6, chapter 263,  
36 section 3 and chapter 341, section 2, is amended to read:

37           42-6004. Exemption from municipal tax; definitions

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

40           1. Exhibition events in this state sponsored, conducted or operated  
41 by a nonprofit organization that is exempt from taxation under section  
42 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the  
43 organization is associated with a major league baseball team or a national  
44 touring professional golfing association and no part of the organization's  
45 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 owners, officers, employees or agents, unless the organization conducted or operated exhibition events in this state before January 1, 2018 that were exempt from state transaction privilege tax under section 42-5073.

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

3. Sales of warranty or service contracts.

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

5. Interest on finance contracts.

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

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

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

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

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

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

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

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

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

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

1 (d) "Members of the 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 insurer" has the same meaning prescribed in section  
5 20-762.

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

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

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

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

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

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

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

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

36 (i) Assembling the machinery, equipment or other tangible personal  
37 property.

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

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

43 (iv) Stabilizing or protecting the machinery, equipment or other  
44 tangible personal property during operation by bolting, burying or

performing other dissimilar nonpermanent connections to either real property or real property improvements.

12. 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.

13. 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.

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

(i) Community facilities districts, fire districts, county television improvement districts, community park maintenance districts, cotton pest control districts, hospital districts, pest abatement districts, health service districts, agricultural improvement districts, county free library districts, county jail districts, county stadium

1 districts, special health care districts, public health services  
2 districts, theme park districts or revitalization districts.

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

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

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

13 17. The sale of coal.

14 18. Tangible personal property incorporated or fabricated into a  
15 project described in paragraph 14 of this subsection, that is located  
16 within the exterior boundaries of an Indian reservation for which the  
17 owner, as defined in section 42-5075, of the project is an Indian tribe or  
18 an affiliated Indian. For the purposes of this paragraph:

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

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

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

31 19. The charges for the leasing or renting of space to make  
32 attachments to utility poles as follows:

33 (a) By a person that is engaged in the business of providing or  
34 furnishing electrical services or telecommunication services or that is a  
35 cable operator.

36 (b) To a person that is engaged in the business of providing or  
37 furnishing electrical services or telecommunication services or that is a  
38 cable operator.

39 20. Until March 1, 2017, the gross proceeds of sales or gross  
40 income derived from entry fees paid by participants for events that  
41 consist of a run, walk, swim or bicycle ride or a similar event, or any  
42 combination of these events.

43 21. The gross proceeds of sales or gross income derived from entry  
44 fees paid by participants for events that are operated or conducted by  
45 nonprofit organizations that are exempt from taxation under section

501(c)(3) of the internal revenue code and of which no part of the organization's net earnings inures to the benefit of any private shareholder or individual, if the event consists of a run, walk, swim or bicycle ride or a similar event, or any combination of these events.

22. SALES OF DRUGS AND MEDICAL OXYGEN, INCLUDING A DELIVERY HOSE, MASK OR TENT, REGULATOR AND TANK, PRESCRIBED BY A MEMBER OF THE MEDICAL, DENTAL OR VETERINARIAN PROFESSION WHO IS LICENSED BY LAW TO ADMINISTER SUCH SUBSTANCES.

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

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

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

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

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

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

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

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

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

(b) The attributable amount is equal to the total amount of development fees paid by the taxpayer or by a contractor providing services to the taxpayer and the total development fees credited in exchange for the construction of, contribution to or dedication of real property for providing public infrastructure, public safety or other

1 public services necessary to the development. The real property must be  
2 the subject of the development fees.

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

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

10 8. Transporting for hire persons by transportation network company  
11 drivers on transactions involving transportation network services as  
12 defined in section 28-9551.

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

15 10. Transporting for hire persons by vehicle for hire drivers on  
16 transactions involving vehicle for hire services as defined in section  
17 28-9501.

18 D. A city, town or other taxing jurisdiction shall not levy a  
19 transaction privilege, sales, use, franchise or other similar tax or fee,  
20 however denominated, in excess of one-tenth of one percent of the value of  
21 the entire product mined, smelted, extracted, refined, produced or  
22 prepared for sale, profit or commercial use, on persons engaged in the  
23 business of mineral processing, except to the extent that the tax is  
24 computed on the gross proceeds or gross income from sales at retail.

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

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

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

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

35 G. For the purposes of this section:

36 1. "Cable operator" has the same meaning prescribed in section  
37 9-505.

38 2. "Electrical services" means transmitting or distributing  
39 electricity, electric lights, current or power over lines, wires or  
40 cables.

41 3. "Telecommunication services" means transmitting or relaying  
42 sound, visual image, data, information, images or material over lines,  
43 wires or cables by radio signal, light beam, telephone, telegraph or other  
44 electromagnetic means.

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

4           Sec. 3. Conditional enactment

5           Section 42-6004, Arizona Revised Statutes, as amended by laws 2018,  
6 chapter 17, section 1, chapter 249, section 6, chapter 263, section 3 and  
7 chapter 341, section 2 and this act, becomes effective on the date  
8 prescribed by Laws 2018, chapter 263, section 5 but only on the occurrence  
9 of the condition prescribed in Laws 2018, chapter 263, section 5.