

REFERENCE TITLE: tax provisions; omnibus.

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

## HB 2757

Introduced by  
Representatives Toma: Barto, Biasiucci, Blackman, Bowers, Campbell, Cobb,  
Dunn, Finchem, Griffin, Kern, Lawrence, Nutt, Osborne, Payne, Petersen,  
Pierce, Roberts, Shope, Thorpe, Townsend, Udall, Weninger, Senators  
Borrelli, Fann, Gowan, Gray, Leach

### AN ACT

AMENDING TITLE 9, CHAPTER 4, ARTICLE 8, ARIZONA REVISED STATUTES, BY ADDING SECTION 9-491.02; AMENDING SECTIONS 42-1001, 42-1108, 42-5001 AND 42-5005, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 5, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTIONS 42-5042 AND 42-5043; AMENDING SECTION 42-5061, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2018, CHAPTER 104, SECTION 15 AND CHAPTER 249, SECTION 1; AMENDING SECTION 42-5061, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2018, CHAPTER 104, SECTION 15, CHAPTER 249, SECTION 1 AND CHAPTER 263, SECTION 1; AMENDING SECTIONS 42-5159 AND 42-6002, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 6, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-6017; AMENDING SECTIONS 43-105, 43-222, 43-323, 43-945, 43-1001, 43-1011, 43-1021, 43-1022, 43-1023, 43-1024 AND 43-1041, ARIZONA REVISED STATUTES; REPEALING SECTION 43-1043, ARIZONA REVISED STATUTES; AMENDING SECTIONS 43-1072.02 AND 43-1073, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1073.01; AMENDING SECTIONS 43-1095, 43-1098, 43-1121 AND 43-1122, ARIZONA REVISED STATUTES; RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 9, chapter 4, article 8, Arizona Revised Statutes,  
3 is amended by adding section 9-491.02, to read:

4 9-491.02. Business license; out-of-state businesses;  
5 prohibition

6 A CITY OR TOWN MAY NOT REQUIRE A PERSON TO OBTAIN A BUSINESS LICENSE  
7 TO CONDUCT BUSINESS WITH PURCHASERS LOCATED IN THAT CITY OR TOWN IF THE  
8 PERSON IS REQUIRED TO PAY TAX IN THIS STATE ONLY BECAUSE THE PERSON'S  
9 BUSINESS EXCEEDS THE THRESHOLD PROVIDED IN SECTION 42-5043.

10 Sec. 2. Section 42-1001, Arizona Revised Statutes, is amended to  
11 read:

12 42-1001. Definitions

13 In this title, unless the context otherwise requires:

14 1. "Board" or "state board" means either the state board of tax  
15 appeals or the state board of equalization, as applicable.

16 2. "Court" means the tax court or superior court, whichever is  
17 applicable.

18 3. "Department" means the department of revenue.

19 4. "Director" means the director of the department.

20 5. "Electronically send" or "send electronically" means to send by  
21 either e-mail or the use of an electronic portal.

22 6. "Electronic portal" means a secure location on a website  
23 established by the department that requires the receiver to enter a  
24 password to access.

25 7. "E-mail" means an electronic transmission of a message to an  
26 e-mail address. If the message contains confidential information, ~~then~~  
27 ~~"e-mail"~~ means the electronic transmission of a message to an e-mail  
28 address using encryption software that requires the receiver to enter a  
29 password before the message can be retrieved and viewed.

30 8. "Internal revenue code" means the United States internal revenue  
31 code of 1986, as amended and in effect as of January 1, ~~2018~~ 2019,  
32 including those provisions that became effective during ~~2017~~ 2018 with the  
33 specific adoption of their retroactive effective dates but excluding all  
34 changes to the code enacted after January 1, ~~2018~~ 2019.

35 Sec. 3. Section 42-1108, Arizona Revised Statutes, is amended to  
36 read:

37 42-1108. Audit; deficiency assessments; nonaudit adjustments;  
38 electronic filing

39 A. If a taxpayer fails to file a return required by this title or  
40 title 43, or if the department is not satisfied with the return or payment  
41 of the amount of tax required to be paid under either title, the  
42 department may examine any return, including any books, papers, records or  
43 memoranda relating to the return, to determine the correct amount of tax.  
44 This examination must occur within the time periods prescribed by section

1 42-1104 and may be accomplished through a detailed review of transactions  
2 or records or by a statistically valid sampling method.

3 B. The department shall give the taxpayer notice of its  
4 determination of a deficiency by mail or as prescribed by subsection C of  
5 this section, and the deficiency, plus penalties and interest, is final  
6 forty-five days ~~from~~ AFTER the date of receipt of the notice to the  
7 taxpayer unless an appeal is taken to the department. For individual  
8 income tax, the period is ninety days ~~from~~ AFTER the date of mailing. In  
9 the case of a joint income tax return, the notice may be a single joint  
10 notice mailed to the last known address, but if either spouse notifies the  
11 department that separate residences have been established, the department  
12 shall mail duplicate originals of the joint notice to each spouse.

13 C. Except for individual income tax, the department may issue  
14 notice of its determination of a deficiency under subsection B of this  
15 section by using an electronic portal in lieu of mail, if all of the  
16 requirements of this subsection are met, for taxable periods beginning  
17 from and after December 31, 2018 or when the department establishes the  
18 electronic portal, whichever is later. The use of the electronic portal  
19 in lieu of mail is subject to the following requirements and conditions:

20 1. The taxpayer shall provide an e-mail address to the department  
21 to receive the ~~written~~ notice of its determination of a deficiency using  
22 the electronic portal. The taxpayer shall notify the department of any  
23 update to the taxpayer's e-mail address.

24 2. The department shall notify the taxpayer, using the taxpayer's  
25 e-mail address, on the same day the notice of its determination of a  
26 deficiency is posted to the electronic portal.

27 3. The date of receipt for a notice provided by electronic portal  
28 is the later of the date the notice is posted to the electronic portal or  
29 the date the notification is received by the taxpayer. A notification  
30 sent by e-mail is considered to be received by the taxpayer on the day it  
31 is sent by the department.

32 D. If a deficiency is determined and the assessment becomes final,  
33 the department shall mail notice and demand to the taxpayer for the  
34 payment of the deficiency. Notwithstanding section 42-1125, subsection E,  
35 the deficiency assessed is due and payable at the expiration of ten days  
36 ~~from~~ AFTER the date of the notice and demand.

37 E. A certificate by the department of the mailing or e-mailing of  
38 the notices specified in this section is prima facie evidence of the  
39 assessment of the deficiency and the giving of the notices.

40 F. Any amount of tax in excess of that disclosed by the return due  
41 to a nonaudit adjustment, as listed in subsection G of this section,  
42 notice of which has been mailed to the taxpayer, is not a deficiency  
43 assessment within the meaning of this section. The taxpayer may not  
44 protest or appeal as in the case of a deficiency assessment, based on such

1 a notice, and the assessment or collection of the amount of tax  
2 erroneously omitted in the return is not prohibited by this article.

3 G. An adjustment due to any of the following is considered a  
4 nonaudit adjustment:

5 1. An addition, subtraction, multiplication, division or other  
6 mathematical error shown on any return.

7 2. The failure of the taxpayer to properly compute the tax  
8 liability based on the taxable income reported on the return.

9 3. An incorrect usage or selection of information for a filed  
10 return from tax tables, schedules or similar documents provided by the  
11 department if the incorrect usage is apparent from the existence of other  
12 information on the return.

13 4. An entry on a return that is inconsistent with an entry on a  
14 schedule, form, statement, list or other document filed with the return.

15 5. An omission of information required on the return to  
16 substantiate an entry.

17 6. An entry on a return of a deduction or credit in an amount that  
18 exceeds a statutory limit if the limit is a monetary figure, a percentage,  
19 a ratio or a fraction and the items entered into the application of this  
20 limit appear on the return, including claiming a deduction or credit that  
21 is not authorized by statute for the taxable period.

22 7. Missing or incorrect taxpayer identification numbers for the  
23 purposes of claiming ~~personal~~ exemptions, ~~dependents~~ or credits.

24 8. An entry of a credit or deduction that requires a preapproval if  
25 the credit or deduction has not been preapproved or if the entry is for  
26 more than the preapproved amount.

27 9. An entry of a credit or deduction amount carried forward from a  
28 prior year that is outside of the statutory period allowed for the  
29 carryforward or is for an amount that is inconsistent with the taxpayer's  
30 prior year returns.

31 H. If a taxpayer that files its return electronically is allowed to  
32 input the information from a document into the electronic filing program  
33 instead of providing the actual document with the return, the department  
34 may request a copy of the document from the taxpayer at any time. If the  
35 taxpayer provides the document, the department may adjust the return to  
36 reflect the amounts on the document. If the taxpayer does not provide the  
37 requested document within the period provided by the department, the  
38 department may deny any deduction, credit or withholding that the document  
39 is intended to substantiate.

40 ~~I. For the purposes of this section, "electronic portal" means a~~  
41 ~~secure location on a website established by the department that requires~~  
42 ~~the taxpayer to enter a password to access.~~

1           Sec. 4. Section 42-5001, Arizona Revised Statutes, is amended to  
2 read:

3           42-5001. Definitions

4           In this article and article 2 of this chapter, unless the context  
5 otherwise requires:

6           1. "Business" includes all activities or acts, personal or  
7 corporate, **THAT ARE** engaged in or caused to be engaged in with the object  
8 of gain, benefit or advantage, either directly or indirectly, but does not  
9 include either:

10           (a) Casual activities or sales.

11           (b) The transfer of electricity from a solar photovoltaic  
12 generation system to an electric utility distribution system.

13           2. "Distribution base" means the portion of the revenues derived  
14 from the tax levied by this article and articles 5 and 8 of this chapter  
15 designated for distribution to counties, municipalities and other purposes  
16 according to section 42-5029, subsection D.

17           3. "Engaging", when used with reference to engaging or continuing  
18 in business, includes the exercise of corporate or franchise powers.

19           4. "Gross income" means the gross receipts of a taxpayer derived  
20 from trade, business, commerce or sales and the value proceeding or  
21 accruing from the sale of tangible personal property or service, or both,  
22 and without any deduction on account of losses.

23           5. "Gross proceeds of sales" means the value proceeding or accruing  
24 from the sale of tangible personal property without any deduction on  
25 account of the cost of property sold, expense of any kind or losses, but  
26 cash discounts allowed and taken on sales are not included as gross  
27 income.

28           6. ~~"Gross income"~~ and ~~"gross proceeds of sales"~~ do not include  
29 goods, wares or merchandise, or **THE** value thereof, returned by customers  
30 if the sale price is refunded either in cash or by credit, ~~NOT~~ **OR** the  
31 value of merchandise traded in on the purchase of new merchandise when the  
32 trade-in allowance is deducted from the sales price of the new merchandise  
33 before completion of the sale.

34           7. "Gross receipts" means the total amount of the sale, lease or  
35 rental price, as the case may be, of the retail sales of retailers,  
36 including any services that are a part of the sales, valued in money,  
37 whether received in money or otherwise, including all receipts, cash,  
38 credits and property of every kind or nature, and any amount for which  
39 credit is allowed by the seller to the purchaser without any deduction  
40 from the amount on account of the cost of the property sold, materials  
41 used, labor or service performed, interest paid, losses or any other  
42 expense. Gross receipts do not include cash discounts allowed and taken  
43 ~~NOT~~ **OR** the sale price of property returned by customers if the full sale  
44 price is refunded either in cash or by credit.

1           8. "MARKETPLACE" MEANS A PHYSICAL OR ELECTRONIC PLACE, PLATFORM OR  
2 FORUM, INCLUDING A STORE, BOOTH, INTERNET WEBSITE, CATALOG OR DEDICATED  
3 SALES SOFTWARE APPLICATION, WHERE PRODUCTS, INCLUDING TANGIBLE PERSONAL  
4 PROPERTY, ARE OFFERED FOR SALE.

5           9. "MARKETPLACE FACILITATOR":

6           (a) MEANS A PERSON THAT FACILITATES A RETAIL SALE BY A MARKETPLACE  
7 SELLER BY LISTING OR ADVERTISING FOR SALE BY THE MARKETPLACE SELLER IN A  
8 MARKETPLACE TANGIBLE PERSONAL PROPERTY AND, EITHER DIRECTLY OR INDIRECTLY,  
9 THROUGH AGREEMENTS OR ARRANGEMENTS WITH THIRD PARTIES COLLECTING PAYMENT  
10 FROM THE PURCHASER AND TRANSMITTING THAT PAYMENT TO THE MARKETPLACE  
11 SELLER, REGARDLESS OF WHETHER THE MARKETPLACE FACILITATOR RECEIVES  
12 COMPENSATION FOR THE MARKETPLACE FACILITATOR'S SERVICES.

13           (b) DOES NOT INCLUDE A PAYMENT PROCESSOR BUSINESS THAT IS APPOINTED  
14 TO HANDLE PAYMENT TRANSACTIONS FROM VARIOUS CHANNELS, SUCH AS CHARGE  
15 CARDS, CREDIT CARDS AND DEBIT CARDS, AND WHOSE SOLE ACTIVITY WITH RESPECT  
16 TO MARKETPLACE SALES IS TO HANDLE TRANSACTIONS BETWEEN TWO PARTIES.

17           10. "MARKETPLACE SELLER" MEANS A PERSON THAT MAKES RETAIL SALES  
18 THROUGH ANY PHYSICAL OR ELECTRONIC MARKETPLACE THAT IS OPERATED BY A  
19 MARKETPLACE FACILITATOR.

20           ~~8.~~ 11. "Person" or "company" includes an individual, firm,  
21 partnership, joint venture, association, corporation, estate, ~~or~~ trust,  
22 MARKETPLACE FACILITATOR OR REMOTE SELLER, this state, any county, city,  
23 town, district, other than a school district, or other political  
24 subdivision and any other group or combination acting as a unit, and the  
25 plural as well as the singular number.

26           ~~9.~~ 12. "Qualifying community health center":

27           (a) Means an entity that is recognized as nonprofit under section  
28 501(c)(3) of the United States internal revenue code, that is a  
29 community-based, primary care clinic that has a community-based board of  
30 directors and that is either:

31           (i) The sole provider of primary care in the community.

32           (ii) A nonhospital affiliated clinic that is located in a federally  
33 designated medically underserved area in this state.

34           (b) Includes clinics that are being constructed as qualifying  
35 community health centers.

36           ~~10.~~ 13. "Qualifying health care organization" means an entity that  
37 is recognized as nonprofit under section 501(c) of the United States  
38 internal revenue code and that uses, saves or invests at least eighty ~~per~~  
39 ~~cent~~ PERCENT of all monies that it receives from all sources each year  
40 only for health and medical related educational and charitable services,  
41 as documented by annual financial audits prepared by an independent  
42 certified public accountant, performed according to generally accepted  
43 auditing standards and filed annually with the department. Monies that  
44 are used, saved or invested to lease, purchase or construct a facility for

1 health and medical related education and charitable services are included  
2 in the eighty ~~per cent~~ PERCENT requirement.

3 ~~11.~~ 14. "Qualifying health sciences educational institution" means  
4 an entity that is recognized as nonprofit under section 501(c) of the  
5 United States internal revenue code and that solely provides graduate and  
6 postgraduate education in the health sciences. For the purposes of this  
7 paragraph, "health sciences" includes medicine, nursing, physician's  
8 assistant studies, pharmacy, physical therapy, occupational therapy,  
9 biomedical sciences, podiatry, clinical psychology, cardiovascular  
10 science, nurse anesthesia, dentistry, optometry and veterinary medicine.

11 ~~12.~~ 15. "Qualifying hospital" means any of the following:

12 (a) A licensed hospital ~~which~~ THAT is organized and operated  
13 exclusively for charitable purposes, no part of the net earnings of which  
14 inures to the benefit of any private shareholder or individual.

15 (b) A licensed nursing care institution or a licensed residential  
16 care institution or a residential care facility operated in conjunction  
17 with a licensed nursing care institution or a licensed kidney dialysis  
18 center, ~~which~~ THAT provides medical services, nursing services or health  
19 related services and THAT is not used or held for profit.

20 (c) A hospital, nursing care institution or residential care  
21 institution ~~which~~ THAT is operated by the federal government, this state  
22 or a political subdivision of this state.

23 (d) A facility that is under construction and that on completion  
24 will be a facility under subdivision (a), (b) or (c) of this paragraph.

25 16. "REMOTE SELLER" MEANS A PERSON THAT SELLS PRODUCTS FOR DELIVERY  
26 INTO THIS STATE AND THAT DOES NOT HAVE A PHYSICAL PRESENCE OR OTHER LEGAL  
27 REQUIREMENT TO OBTAIN A TRANSACTION PRIVILEGE TAX LICENSE IN THIS STATE  
28 OTHER THAN BECAUSE THE PERSON'S BUSINESS EXCEEDS THE THRESHOLD PROVIDED IN  
29 SECTION 42-5043.

30 ~~13.~~ 17. "Retailer" includes every person engaged in the business  
31 classified under the retail classification pursuant to section 42-5061  
32 and, when in the opinion of the department it is necessary for the  
33 efficient administration of this article, includes dealers, distributors,  
34 supervisors, employers and salesmen, representatives, peddlers or  
35 canvassers as the agents of the dealers, distributors, supervisors or  
36 employers under whom they operate or from whom they obtain the tangible  
37 personal property sold by them, whether in making sales on their own  
38 behalf or on behalf of the dealers, distributors, supervisors or  
39 employers.

40 ~~14.~~ 18. "Sale" means any transfer of title or possession, or both,  
41 exchange, barter, lease or rental, conditional or otherwise, in any manner  
42 or by any means whatever, including consignment transactions and auctions  
43 AND TRANSACTIONS FACILITATED BY A MARKETPLACE FACILITATOR ON BEHALF OF A  
44 MARKETPLACE SELLER, of tangible personal property or other activities  
45 taxable under this chapter, for a consideration, and includes:

1 (a) Any transaction by which the possession of property is  
2 transferred but the seller retains the title as security for the payment  
3 of the price.

4 (b) Fabricating tangible personal property for consumers who  
5 furnish either directly or indirectly the materials used in the  
6 fabrication work.

7 (c) Furnishing, preparing or serving for a consideration any  
8 tangible personal property consumed on the premises of the person  
9 furnishing, preparing or serving the tangible personal property.

10 ~~15.~~ 19. "Solar daylighting" means a device that is specifically  
11 designed to capture and redirect the visible portion of the solar beam,  
12 while controlling the infrared portion, for use in illuminating interior  
13 building spaces in lieu of artificial lighting.

14 ~~16.~~ 20. "Solar energy device" means a system or series of  
15 mechanisms THAT ARE designed primarily to provide heating, to provide  
16 cooling, to produce electrical power, to produce mechanical power, to  
17 provide solar daylighting or to provide any combination of the foregoing  
18 by means of collecting and transferring solar generated energy into such  
19 uses either by active or passive means, including wind generator systems  
20 that produce electricity. Solar energy systems may also have the  
21 capability of storing solar energy for future use. Passive systems shall  
22 clearly be designed as a solar energy device, such as a trombe wall, and  
23 not merely as a part of a normal structure, such as a window.

24 ~~17.~~ 21. "Tangible personal property" means personal property which  
25 THAT may be seen, weighed, measured, felt or touched or THAT is in any  
26 other manner perceptible to the senses.

27 ~~19.~~ 22. "Taxpayer" means any person who is liable for any tax  
28 which is imposed by this article.

29 ~~18.~~ 23. "Tax year" or "taxable year" means either the calendar  
30 year or the taxpayer's fiscal year, if permission is obtained from the  
31 department to use a fiscal year as the tax period instead of the calendar  
32 year.

33 ~~20.~~ 24. "Wholesaler" or "jobber" means any person who sells  
34 tangible personal property for resale and not for consumption by the  
35 purchaser.

36 Sec. 5. Section 42-5005, Arizona Revised Statutes, is amended to  
37 read:

38 42-5005. Transaction privilege tax and municipal privilege  
39 tax licenses; fees; renewal; revocation;  
40 violation; classification

41 A. Every person who receives gross proceeds of sales or gross  
42 income on which a transaction privilege tax is imposed by this article and  
43 who desires to engage or continue in business shall apply to the  
44 department for an annual transaction privilege tax license accompanied by  
45 a fee of ~~twelve dollars~~ \$12. A person shall not engage or continue in



1 business until the person has obtained a transaction privilege tax  
2 license.

3 B. A person desiring to engage or continue in business within a  
4 city or town that imposes a municipal privilege tax shall apply to the  
5 department of revenue for an annual municipal privilege tax license  
6 accompanied by a fee of up to ~~fifty dollars~~ \$50, as established by  
7 ordinance of the city or town. The person shall submit the fee with each  
8 new license application. The person may not engage or continue in  
9 business until the person has obtained a municipal privilege tax license.  
10 The department must collect, hold, pay and manage the fees in trust for  
11 the city or town and may not use the monies for any other purposes. **THE**  
12 **FEE IMPOSED BY THIS SUBSECTION DOES NOT APPLY TO A MARKETPLACE FACILITATOR**  
13 **OR REMOTE SELLER THAT IS ONLY REQUIRED TO OBTAIN A TRANSACTION PRIVILEGE**  
14 **TAX LICENSE PURSUANT TO SECTION 42-5043.**

15 C. A transaction privilege tax license is valid only for the  
16 calendar year in which it is issued, but it may be renewed for the  
17 following calendar year. There is no fee for the renewal of the  
18 transaction privilege tax license. The transaction privilege tax license  
19 must be renewed at the same time and in the manner as the municipal  
20 privilege tax license renewal.

21 D. A municipal privilege tax license is valid only for the calendar  
22 year in which it is issued, but it may be renewed for the following  
23 calendar year by the payment of a license renewal fee of up to ~~fifty~~  
24 ~~dollars~~ \$50. The renewal fee is due and payable on January 1 and is  
25 considered delinquent if not received on or before the last business day  
26 of January. The department must collect, hold, pay and manage the fees in  
27 trust for the city or town and may not use the monies for any other  
28 purposes. **THE RENEWAL FEE IMPOSED BY THIS SUBSECTION DOES NOT APPLY TO A**  
29 **MARKETPLACE FACILITATOR OR REMOTE SELLER THAT IS ONLY REQUIRED TO OBTAIN A**  
30 **TRANSACTION PRIVILEGE TAX LICENSE PURSUANT TO SECTION 42-5043.**

31 E. A licensee that remains in business after the municipal  
32 privilege tax license has expired is subject to the payment of the license  
33 renewal fee and the civil penalty prescribed in section 42-1125,  
34 subsection R.

35 F. If the applicant is not in arrears in payment of any tax imposed  
36 by this article, the department shall issue a license authorizing the  
37 applicant to engage and continue in business on the condition that the  
38 applicant complies with this article. The license number shall be  
39 continuous.

40 G. The transaction privilege tax license and the municipal  
41 privilege tax license are not transferable on a complete change of  
42 ownership or change of location of the business. For the purposes of this  
43 subsection:

1           1. "Location" means the business address appearing in the  
2 application for the license and on the transaction privilege tax or  
3 municipal privilege tax license.

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

5           3. "Transferable" means the ability to convey or change the right  
6 or privilege to engage or continue in business by virtue of the issuance  
7 of the transaction privilege tax or municipal privilege tax license.

8           H. When the ownership or location of a business on which a  
9 transaction privilege tax or municipal privilege tax is imposed has been  
10 changed within the meaning of subsection G of this section, the licensee  
11 shall surrender the license to the department. The license shall be  
12 reissued to the new owners or for the new location on application by the  
13 taxpayer and payment of the ~~twelve-dollar~~ \$12 fee for a transaction  
14 privilege tax license and a fee of up to ~~fifty-dollars~~ \$50 per  
15 jurisdiction for a municipal privilege tax license. The department must  
16 collect, hold, pay and manage the fees in trust for the city or town and  
17 may not use the monies for any other purposes.

18           I. A person who is engaged in or conducting a business in two or  
19 more locations or under two or more business names shall procure a  
20 transaction privilege tax license for each location or business name  
21 regardless of whether all locations or business names are reported on a  
22 consolidated return under a single transaction privilege tax license  
23 number. This requirement shall not be construed as conflicting with  
24 section 42-5020.

25           J. A person who is engaged in or conducting a business in two or  
26 more locations or under two or more business names shall procure a  
27 municipal privilege tax license for each location or business name  
28 regardless of whether all locations or business names are reported on a  
29 consolidated return.

30           K. A person who is engaged in or conducting business at two or more  
31 locations or under two or more business names and who files a consolidated  
32 return under a single transaction privilege tax license number as provided  
33 by section 42-5020 is required to pay only a single municipal privilege  
34 tax license renewal fee for each local jurisdiction pursuant to subsection  
35 D of this section. A person who is engaged in or conducting business at  
36 two or more locations or under two or more business names and who does not  
37 file a consolidated return under a single license number is required to  
38 pay a license renewal fee for each location or license in a local  
39 jurisdiction.

40           L. For the purposes of this chapter and chapter 6 of this title:

41           1. Through December 31, 2018, an online lodging marketplace, as  
42 defined in section 42-5076, may register with the department for a license  
43 for the payment of taxes levied by this state and one or more counties,  
44 cities, towns or special taxing districts, at the election of the online  
45 lodging marketplace, for taxes due from an online lodging operator on any

1 online lodging transaction facilitated by the online lodging marketplace,  
2 subject to sections 42-5076 and 42-6009.

3 2. Beginning from and after December 31, 2018, an online lodging  
4 marketplace, as defined in section 42-5076, shall register with the  
5 department for a license for the payment of taxes levied by this state and  
6 one or more counties, cities, towns or special taxing districts for taxes  
7 due from an online lodging operator on any online lodging transaction  
8 facilitated by the online lodging marketplace, subject to sections 42-5076  
9 and 42-6009.

10 M. For the purposes of this chapter and chapter 6 of this title, a  
11 person who is licensed pursuant to title 32, chapter 20 and who files an  
12 electronic consolidated tax return for individual real properties under  
13 management on behalf of the property owners may be licensed with the  
14 department for the payment of taxes levied by this state and by any  
15 county, city or town with respect to those properties. There is no fee  
16 for a license issued pursuant to this subsection.

17 N. If a person violates this article or any rule adopted under this  
18 article, the department upon hearing may revoke any transaction privilege  
19 tax or municipal privilege tax license issued to the person. The  
20 department shall provide ten days' written notice of the hearing, stating  
21 the time and place and requiring the person to appear and show cause why  
22 the license or licenses should not be revoked. The department shall  
23 provide written notice to the person of the revocation of the license.  
24 The notices may be served personally or by mail pursuant to section  
25 42-5037. After revocation, the department shall not issue a new license  
26 to the person unless the person presents evidence satisfactory to the  
27 department that the person will comply with this article and with the  
28 rules adopted under this article. The department may prescribe the terms  
29 under which a revoked license may be reissued.

30 O. The department may revoke any transaction privilege tax or  
31 municipal privilege tax license issued to any person who fails for  
32 thirteen consecutive months to make and file a return required by this  
33 article on or before the due date or the due date as extended by the  
34 department unless the failure is due to a reasonable cause and not due to  
35 wilful neglect.

36 P. A person who violates any provision of this section is guilty of  
37 a class 3 misdemeanor.

38 Sec. 6. Title 42, chapter 5, article 1, Arizona Revised Statutes,  
39 is amended by adding sections 42-5042 and 42-5043, to read:

40 42-5042. Liability; marketplace facilitators; remote sellers;  
41 refund claims; audits; definition

42 A. A MARKETPLACE FACILITATOR IS NOT LIABLE FOR FAILING TO PAY THE  
43 CORRECT AMOUNT OF TRANSACTION PRIVILEGE TAX FOR A MARKETPLACE SELLER'S  
44 SALES THROUGH THE MARKETPLACE FACILITATOR'S MARKETPLACE TO THE EXTENT THAT

1 THE MARKETPLACE FACILITATOR DEMONSTRATES ANY OF THE FOLLOWING TO THE  
2 SATISFACTION OF THE DEPARTMENT:

3 1. THE FAILURE TO PAY THE CORRECT AMOUNT OF TAX WAS DUE TO  
4 INCORRECT INFORMATION GIVEN TO THE MARKETPLACE FACILITATOR BY THE  
5 MARKETPLACE SELLER, AND THE MARKETPLACE FACILITATOR AND THE MARKETPLACE  
6 SELLER ARE NOT AFFILIATED PERSONS.

7 2. THE MARKETPLACE FACILITATOR AND THE MARKETPLACE SELLER ARE NOT  
8 AFFILIATED PERSONS, AND THE FAILURE TO PAY THE CORRECT AMOUNT OF TAX WAS  
9 DUE TO AN ERROR OTHER THAN AN ERROR IN SOURCING THE SALE UNDER SECTION  
10 42-5040.

11 B. THE LIABILITY RELIEF PROVIDED IN SUBSECTION A, PARAGRAPH 2 OF  
12 THIS SECTION MAY NOT EXCEED THE FOLLOWING:

13 1. FOR CALENDAR YEAR 2019, FIVE PERCENT OF THE TOTAL TAX DUE UNDER  
14 THIS CHAPTER ON TAXABLE SALES FACILITATED BY THE MARKETPLACE FACILITATOR  
15 ON BEHALF OF A MARKETPLACE SELLER AND SOURCED TO THIS STATE UNDER SECTION  
16 42-5040 DURING THE SAME CALENDAR YEAR.

17 2. FOR CALENDAR YEAR 2020, THREE PERCENT OF THE TOTAL TAX DUE UNDER  
18 THIS CHAPTER ON TAXABLE SALES FACILITATED BY THE MARKETPLACE FACILITATOR  
19 ON BEHALF OF A MARKETPLACE SELLER AND SOURCED TO THIS STATE UNDER SECTION  
20 42-5040 DURING THE SAME CALENDAR YEAR.

21 3. FOR CALENDAR YEAR 2021 AND EACH CALENDAR YEAR THEREAFTER, ZERO  
22 PERCENT OF THE TOTAL TAX DUE UNDER THIS CHAPTER ON TAXABLE SALES  
23 FACILITATED BY THE MARKETPLACE FACILITATOR ON BEHALF OF A MARKETPLACE  
24 SELLER AND SOURCED TO THIS STATE UNDER SECTION 42-5040 DURING THE SAME  
25 CALENDAR YEAR.

26 C. A REMOTE SELLER IS NOT LIABLE FOR FAILING TO PAY THE CORRECT  
27 AMOUNT OF TRANSACTION PRIVILEGE TAX IF FAILURE TO PAY THE CORRECT AMOUNT  
28 OF TAX WAS DUE TO AN ERROR OTHER THAN AN ERROR IN SOURCING THE SALE UNDER  
29 SECTION 42-5040. THE LIABILITY RELIEF PROVIDED IN THIS SUBSECTION MAY NOT  
30 EXCEED THE FOLLOWING:

31 1. FOR CALENDAR YEAR 2019, FIVE PERCENT OF THE TOTAL TAX DUE UNDER  
32 THIS CHAPTER ON TAXABLE SALES SOURCED TO THIS STATE UNDER SECTION 42-5040  
33 DURING THE SAME CALENDAR YEAR.

34 2. FOR CALENDAR YEAR 2020, THREE PERCENT OF THE TOTAL TAX DUE UNDER  
35 THIS CHAPTER ON TAXABLE SALES SOURCED TO THIS STATE UNDER SECTION 42-5040  
36 DURING THE SAME CALENDAR YEAR.

37 3. FOR CALENDAR YEAR 2021 AND EACH CALENDAR YEAR THEREAFTER, ZERO  
38 PERCENT OF THE TOTAL TAX DUE UNDER THIS CHAPTER ON TAXABLE SALES SOURCED  
39 TO THIS STATE UNDER SECTION 42-5040 DURING THE SAME CALENDAR YEAR.

40 D. THE DEPARTMENT MAY WAIVE PENALTIES AND INTEREST IF THE  
41 MARKETPLACE FACILITATOR OR REMOTE SELLER SEEKS LIABILITY RELIEF, THE  
42 DEPARTMENT RULES THAT REASONABLE CAUSE EXISTS AND THE MARKETPLACE  
43 FACILITATOR PAID TAX ON SALES FACILITATED FOR A MARKETPLACE SELLER DURING  
44 THE PERIOD FOR WHICH RELIEF IS SOUGHT OR THE REMOTE SELLER PAID TAX ON  
45 SALES DURING THE PERIOD FOR WHICH RELIEF IS SOUGHT.

1 E. THE DEPARTMENT MAY DETERMINE THE MANNER IN WHICH A MARKETPLACE  
2 FACILITATOR OR REMOTE SELLER MAY CLAIM THE LIABILITY RELIEF PROVIDED FOR  
3 IN THIS SECTION.

4 F. REFUND CLAIMS RELATED TO AN OVERPAYMENT OF TRANSACTION PRIVILEGE  
5 TAX COLLECTED BY A MARKETPLACE FACILITATOR SHALL BE FILED AS PRESCRIBED BY  
6 SECTION 42-1118. IF A REFUND CLAIM IS DENIED, THE CLAIMANT MAY APPEAL THE  
7 DENIAL PURSUANT TO CHAPTER 1, ARTICLE 6 OF THIS TITLE.

8 G. AN AUDIT OF A MARKETPLACE FACILITATOR MAY NOT AUTOMATICALLY  
9 CAUSE AN AUDIT OF A MARKETPLACE SELLER.

10 H. FOR THE PURPOSES OF THIS SECTION, "AFFILIATED PERSON" MEANS A  
11 PERSON THAT, WITH RESPECT TO ANOTHER PERSON, EITHER:

12 1. HAS AN OWNERSHIP INTEREST OF MORE THAN FIVE PERCENT, WHETHER  
13 DIRECT OR INDIRECT, IN THAT OTHER PERSON.

14 2. IS RELATED TO THE OTHER PERSON BECAUSE A THIRD PERSON, OR A  
15 GROUP OF THIRD PERSONS THAT ARE AFFILIATED PERSONS WITH RESPECT TO EACH  
16 OTHER, HOLDS AN OWNERSHIP INTEREST OF MORE THAN FIVE PERCENT, WHETHER  
17 DIRECT OR INDIRECT, IN THE RELATED PERSONS.

18 42-5043. Nexus; out-of-state businesses; threshold;  
19 applicability; rulemaking; reporting; definition

20 A. NOTWITHSTANDING ANY OTHER LAW, ANY PERSON THAT CONDUCTS BUSINESS  
21 IN AN ACTIVITY CLASSIFIED UNDER SECTION 42-5061 WITH PURCHASERS IN THIS  
22 STATE IS ENGAGING OR CONTINUING IN BUSINESS IN THIS STATE, IS SUBJECT TO  
23 THIS ARTICLE AND SHALL PAY THE TAXES LEVIED UNDER THIS ARTICLE, SECTION  
24 42-5061 AND CHAPTER 6 OF THIS TITLE AND ANY DULY ENACTED SPECIAL DISTRICT  
25 TRANSACTION PRIVILEGE TAXES IMPOSED UNDER TITLE 48 ON RETAIL SALES OF  
26 TANGIBLE PERSONAL PROPERTY IF THE PERSON MEETS EITHER OF THE FOLLOWING  
27 CRITERIA IN THE PREVIOUS OR CURRENT CALENDAR YEAR:

28 1. IF THE PERSON IS A REMOTE SELLER, THE GROSS PROCEEDS OF SALES OR  
29 GROSS INCOME DERIVED FROM THE REMOTE SELLER'S BUSINESS WITH CUSTOMERS IN  
30 THIS STATE PURSUANT TO SECTION 42-5061 THAT IS NOT FACILITATED BY A  
31 MARKETPLACE FACILITATOR IS MORE THAN THE FOLLOWING:

32 (a) FOR CALENDAR YEAR 2019, \$200,000.

33 (b) FOR CALENDAR YEAR 2020, \$150,000.

34 (c) FOR CALENDAR YEAR 2021 AND FOR EACH CALENDAR YEAR THEREAFTER,  
35 \$100,000.

36 2. IF THE PERSON IS A MARKETPLACE FACILITATOR, THE GROSS PROCEEDS  
37 OF SALES OR GROSS INCOME DERIVED FROM THE MARKETPLACE FACILITATOR'S  
38 BUSINESS ON ITS OWN BEHALF OR ON BEHALF OF AT LEAST ONE MARKETPLACE SELLER  
39 WITH CUSTOMERS IN THIS STATE PURSUANT TO SECTION 42-5061 IS MORE THAN  
40 \$100,000.

41 B. FOR THE PURPOSE OF DETERMINING WHETHER A PERSON MEETS ANY OF THE  
42 CRITERIA PRESCRIBED IN SUBSECTION A OF THIS SECTION, ALL AFFILIATED  
43 PERSONS SHALL BE AGGREGATED.

44 C. IF THE THRESHOLD PROVIDED IN SUBSECTION A OF THIS SECTION WAS  
45 NOT MET IN THE PREVIOUS CALENDAR YEAR AND IS MET PARTWAY THROUGH THE

1 CURRENT CALENDAR YEAR, THE PERSON SHALL OBTAIN A TRANSACTION PRIVILEGE TAX  
2 LICENSE FROM THE DEPARTMENT ONCE THE THRESHOLD IS MET AND BEGIN REMITTING  
3 THE TAX ON THE FIRST DAY OF THE MONTH THAT STARTS AT LEAST THIRTY DAYS  
4 AFTER THE THRESHOLD IS MET FOR THE REMAINING OF THE CURRENT YEAR AND THE  
5 NEXT CALENDAR YEAR. IF THE PERSON DOES NOT MEET THE THRESHOLD IN THE NEXT  
6 CALENDAR YEAR, THE PERSON IS NOT REQUIRED TO REMIT THE TRANSACTION  
7 PRIVILEGE TAX FOR THE CALENDAR YEAR FOLLOWING THAT CALENDAR YEAR AND MAY  
8 CANCEL THE PERSON'S TRANSACTION PRIVILEGE TAX LICENSE. IF THE THRESHOLD  
9 IS MET IN A SUBSEQUENT CALENDAR YEAR, THE PERSON SHALL REMIT THE  
10 TRANSACTION PRIVILEGE TAX PURSUANT TO THIS SECTION.

11 D. THE DEPARTMENT MAY ADOPT RULES PURSUANT TO TITLE 41, CHAPTER 6  
12 TO CARRY OUT THIS SECTION.

13 E. A MARKETPLACE FACILITATOR SHALL REPORT THE TAX DUE UNDER THIS  
14 SECTION FROM TRANSACTIONS FACILITATED ON BEHALF OF MARKETPLACE SELLERS. A  
15 MARKETPLACE FACILITATOR MAY REPORT THE TAX DUE UNDER THIS SECTION WITH THE  
16 TAX COLLECTED FROM TRANSACTIONS MADE DIRECTLY BY THE MARKETPLACE  
17 FACILITATOR ON A COMBINED TAX RETURN OR ON A SEPARATE RETURN.

18 F. FOR THE PURPOSES OF THIS SECTION, "AFFILIATED PERSON" MEANS A  
19 PERSON THAT, WITH RESPECT TO ANOTHER PERSON, EITHER:

20 1. HAS AN OWNERSHIP INTEREST OF MORE THAN FIVE PERCENT, WHETHER  
21 DIRECT OR INDIRECT, IN THAT OTHER PERSON.

22 2. IS RELATED TO THE OTHER PERSON BECAUSE A THIRD PERSON, OR A  
23 GROUP OF THIRD PERSONS THAT ARE AFFILIATED PERSONS WITH RESPECT TO EACH  
24 OTHER, HOLDS AN OWNERSHIP INTEREST OF MORE THAN FIVE PERCENT, WHETHER  
25 DIRECT OR INDIRECT, IN THE RELATED PERSONS.

26 Sec. 7. Section 42-5061, Arizona Revised Statutes, as amended by  
27 Laws 2018, chapter 104, section 15 and chapter 249, section 1, is amended  
28 to read:

29 42-5061. Retail classification; definitions

30 A. The retail classification is comprised of the business of  
31 selling tangible personal property at retail. The tax base for the retail  
32 classification is the gross proceeds of sales or gross income derived from  
33 the business. The tax imposed on the retail classification does not apply  
34 to the gross proceeds of sales or gross income from:

35 1. Professional or personal service occupations or businesses that  
36 involve sales or transfers of tangible personal property only as  
37 inconsequential elements.

38 2. Services rendered in addition to selling tangible personal  
39 property at retail.

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

43 4. Sales of tangible personal property by any nonprofit  
44 organization organized and operated exclusively for charitable purposes

1 and recognized by the United States internal revenue service under section  
2 501(c)(3) of the internal revenue code.

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

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

8 7. The sale of stocks and bonds.

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

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

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

17 11. Prescription eyeglasses or contact lenses.

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

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

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

29 15. Food, as provided in and subject to the conditions of article 3  
30 of this chapter and ~~section~~ SECTIONS 42-5074 AND 42-6017.

31 16. Items purchased with United States department of agriculture  
32 coupons issued under the supplemental nutrition assistance program  
33 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;  
34 7 United States Code sections 2011 through 2036b) by the United States  
35 department of agriculture food and nutrition service or food instruments  
36 issued under section 17 of the child nutrition act (P.L. 95-627; 92  
37 Stat. 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States Code  
38 section 1786).

39 17. Textbooks by any bookstore that are required by any state  
40 university or community college.

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

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

6           20. Lottery tickets or shares pursuant to title 5, chapter 5.1,  
7 article 1.

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

15           (a) "Cash equivalents" means items or intangibles, whether or not  
16 negotiable, that are sold to one or more persons, through which a value  
17 denominated in money is purchased in advance and may be redeemed in full  
18 or in part for tangible personal property, intangibles or services. Cash  
19 equivalents include gift cards, stored value cards, gift certificates,  
20 vouchers, traveler's checks, money orders or other instruments, orders or  
21 electronic mechanisms, such as an electronic code, personal identification  
22 number or digital payment mechanism, or any other prepaid intangible right  
23 to acquire tangible personal property, intangibles or services in the  
24 future, whether from the seller of the cash equivalent or from another  
25 person. Cash equivalents do not include either of the following:

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

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

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

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

37           22. Motor vehicle fuel and use fuel that are subject to a tax  
38 imposed under title 28, chapter 16, article 1, sales of use fuel to a  
39 holder of a valid single trip use fuel tax permit issued under section  
40 28-5739, sales of aviation fuel that are subject to the tax imposed under  
41 section 28-8344 and sales of jet fuel that are subject to the tax imposed  
42 under article 8 of this chapter.



1           23. Tangible personal property sold to a person engaged in the  
2 business of leasing or renting such property under the personal property  
3 rental classification if such property is to be leased or rented by such  
4 person.

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

8           25. Tangible personal property sold to:

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

10           (b) A qualifying health care organization as defined in section  
11 42-5001 if the tangible personal property is used by the organization  
12 solely to provide health and medical related educational and charitable  
13 services.

14           (c) A qualifying health care organization as defined in section  
15 42-5001 if the organization is dedicated to providing educational,  
16 therapeutic, rehabilitative and family medical education training for  
17 blind and visually impaired children and children with multiple  
18 disabilities from the time of birth to age twenty-one.

19           (d) A qualifying community health center as defined in section  
20 42-5001.

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

24           (f) For taxable periods beginning from and after June 30, 2001, a  
25 nonprofit charitable organization that has qualified under section  
26 501(c)(3) of the internal revenue code and that provides residential  
27 apartment housing for low income persons over sixty-two years of age in a  
28 facility that qualifies for a federal housing subsidy, if the tangible  
29 personal property is used by the organization solely to provide  
30 residential apartment housing for low income persons over sixty-two years  
31 of age in a facility that qualifies for a federal housing subsidy.

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

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

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

40           27. Tangible personal property sold to:

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

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

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

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

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

13 28. The sale of a motor vehicle to:

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

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

21 29. Tangible personal property purchased in this state by a  
22 nonprofit charitable organization that has qualified under section  
23 501(c)(3) of the United States internal revenue code and that engages in  
24 and uses such property exclusively in programs for persons with mental or  
25 physical disabilities if the programs are exclusively for training, job  
26 placement, rehabilitation or testing.

27 30. Sales of tangible personal property by a nonprofit organization  
28 that is exempt from taxation under section 501(c)(3), 501(c)(4) or  
29 501(c)(6) of the internal revenue code if the organization is associated  
30 with a major league baseball team or a national touring professional  
31 golfing association and no part of the organization's net earnings inures  
32 to the benefit of any private shareholder or individual. This paragraph  
33 does not apply to an organization that is owned, managed or controlled, in  
34 whole or in part, by a major league baseball team, or its owners,  
35 officers, employees or agents, or by a major league baseball association  
36 or professional golfing association, or its owners, officers, employees or  
37 agents, unless the organization conducted or operated exhibition events in  
38 this state before January 1, 2018 that were exempt from taxation under  
39 section 42-5073.

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

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

7           33. Sales of seeds, seedlings, roots, bulbs, cuttings and other  
8 propagative material to persons who use those items to commercially  
9 produce agricultural, horticultural, viticultural or floricultural crops  
10 in this state.

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

16           35. Sales of natural gas or liquefied petroleum gas used to propel  
17 a motor vehicle.

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

21           37. Coal, petroleum, coke, natural gas, virgin fuel oil and  
22 electricity sold to a qualified environmental technology manufacturer,  
23 producer or processor as defined in section 41-1514.02 and directly used  
24 or consumed in the generation or provision of on-site power or energy  
25 solely for environmental technology manufacturing, producing or processing  
26 or environmental protection. This paragraph shall apply for twenty full  
27 consecutive calendar or fiscal years from the date the first paper  
28 manufacturing machine is placed in service. In the case of an  
29 environmental technology manufacturer, producer or processor who does not  
30 manufacture paper, the time period shall begin with the date the first  
31 manufacturing, processing or production equipment is placed in service.

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

1           39. Through December 31, 1994, personal property liquidation  
2 transactions, conducted by a personal property liquidator. From and after  
3 December 31, 1994, personal property liquidation transactions shall be  
4 taxable under this section provided that nothing in this subsection shall  
5 be construed to authorize the taxation of casual activities or  
6 transactions under this chapter. For the purposes of this paragraph:

7           (a) "Personal property liquidation transaction" means a sale of  
8 personal property made by a personal property liquidator acting solely on  
9 behalf of the owner of the personal property sold at the dwelling of the  
10 owner or on the death of any owner, on behalf of the surviving spouse, if  
11 any, any devisee or heir or the personal representative of the estate of  
12 the deceased, if one has been appointed.

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

15           40. Sales of food, drink and condiment for consumption within the  
16 premises of any prison, jail or other institution under the jurisdiction  
17 of the state department of corrections, the department of public safety,  
18 the department of juvenile corrections or a county sheriff.

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

24           42. Sales of:

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

27           (b) Livestock and poultry feed, salts, vitamins and other additives  
28 for livestock or poultry consumption that are sold to persons for use or  
29 consumption by their own livestock or poultry, for use or consumption in  
30 the businesses of farming, ranching and producing or feeding livestock,  
31 poultry, or livestock or poultry products or for use or consumption in  
32 noncommercial boarding of livestock. For the purposes of this paragraph,  
33 "poultry" includes ratites.

34           43. Sales of implants used as growth promotants and injectable  
35 medicines, not already exempt under paragraph 8 of this subsection, for  
36 livestock or poultry owned by or in possession of persons who are engaged  
37 in producing livestock, poultry, or livestock or poultry products or who  
38 are engaged in feeding livestock or poultry commercially. For the  
39 purposes of this paragraph, "poultry" includes ratites.

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

44           45. Tangible personal property sold to a person engaged in business  
45 and subject to tax under the transient lodging classification if the

1 tangible personal property is a personal hygiene item or articles used by  
2 human beings for food, drink or condiment, except alcoholic beverages,  
3 that are furnished without additional charge to and intended to be  
4 consumed by the transient during the transient's occupancy.

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

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

12 (a) Printed or photographic materials, beginning August 7, 1985.

13 (b) Electronic or digital media materials, beginning July 17, 1994.

14 48. Tangible personal property sold to a commercial airline and  
15 consisting of food, beverages and condiments and accessories used for  
16 serving the food and beverages, if those items are to be provided without  
17 additional charge to passengers for consumption in flight. For the  
18 purposes of this paragraph, "commercial airline" means a person holding a  
19 federal certificate of public convenience and necessity or foreign air  
20 carrier permit for air transportation to transport persons, property or  
21 United States mail in intrastate, interstate or foreign commerce.

22 49. Sales of alternative fuel vehicles if the vehicle was  
23 manufactured as a diesel fuel vehicle and converted to operate on  
24 alternative fuel and equipment that is installed in a conventional diesel  
25 fuel motor vehicle to convert the vehicle to operate on an alternative  
26 fuel, as defined in section 1-215.

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

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

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

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

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

1 (b) "Curriculum design or enhancement" means planning, implementing  
2 or reporting on courses of study, lessons, assignments or other learning  
3 activities.

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

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

12 56. Sales or other transfers of renewable energy credits or any  
13 other unit created to track energy derived from renewable energy  
14 resources. For the purposes of this paragraph, "renewable energy credit"  
15 means a unit created administratively by the corporation commission or  
16 governing body of a public power utility to track kilowatt hours of  
17 electricity derived from a renewable energy resource or the kilowatt hour  
18 equivalent of conventional energy resources displaced by distributed  
19 renewable energy resources.

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

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

31 59. Sales of tangible personal property incorporated or fabricated  
32 into a project described in section 42-5075, subsection 0, that is located  
33 within the exterior boundaries of an Indian reservation for which the  
34 owner, as defined in section 42-5075, of the project is an Indian tribe or  
35 an 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 60. Sales of works of fine art, as defined in section 44-1771, at  
4 an art auction or gallery in this state to nonresidents of this state for  
5 use outside this state if the vendor ships or delivers the work of fine  
6 art to a destination outside this state.

7 61. SALES OF TANGIBLE PERSONAL PROPERTY BY A MARKETPLACE SELLER  
8 THAT ARE FACILITATED BY A MARKETPLACE FACILITATOR IN WHICH THE MARKETPLACE  
9 FACILITATOR HAS REMITTED OR WILL REMIT THE APPLICABLE TAX TO THE  
10 DEPARTMENT PURSUANT TO SECTION 42-5014.

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

15 1. Machinery, or equipment, used directly in manufacturing,  
16 processing, fabricating, job printing, refining or metallurgical  
17 operations. The terms "manufacturing", "processing", "fabricating", "job  
18 printing", "refining" and "metallurgical" as used in this paragraph refer  
19 to and include those operations commonly understood within their ordinary  
20 meaning. "Metallurgical operations" includes leaching, milling,  
21 precipitating, smelting and refining.

22 2. Mining machinery, or equipment, used directly in the process of  
23 extracting ores or minerals from the earth for commercial purposes,  
24 including equipment required to prepare the materials for extraction and  
25 handling, loading or transporting such extracted material to the surface.  
26 "Mining" includes underground, surface and open pit operations for  
27 extracting ores and minerals.

28 3. Tangible personal property sold to persons engaged in business  
29 classified under the telecommunications classification, including a person  
30 representing or working on behalf of such a person in a manner described  
31 in section 42-5075, subsection 0, and consisting of central office  
32 switching equipment, switchboards, private branch exchange equipment,  
33 microwave radio equipment and carrier equipment including optical fiber,  
34 coaxial cable and other transmission media that are components of carrier  
35 systems.

36 4. Machinery, equipment or transmission lines used directly in  
37 producing or transmitting electrical power, but not including  
38 distribution. Transformers and control equipment used at transmission  
39 substation sites constitute equipment used in producing or transmitting  
40 electrical power.

41 5. Neat animals, horses, asses, sheep, ratites, swine or goats used  
42 or to be used as breeding or production stock, including sales of  
43 breedings or ownership shares in such animals used for breeding or  
44 production.

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

5           7. Aircraft, navigational and communication instruments and other  
6 accessories and related equipment sold to:

7           (a) A person:

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

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

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

21           (iv) Operating an aircraft to transport persons in any manner for  
22 compensation or hire, or for use in a fractional ownership program that  
23 meets the requirements of federal aviation administration regulations (14  
24 Code of Federal Regulations part 91, subpart K), including as an air  
25 carrier, a foreign air carrier or a commercial operator or under a  
26 restricted category, within the meaning of 14 Code of Federal Regulations,  
27 regardless of whether the operation or aircraft is regulated or certified  
28 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code  
29 of Federal Regulations.

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

35           (b) Any foreign government.

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



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

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

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

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

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

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

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

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

32           14. Machinery or equipment used in research and development. For  
33 the purposes of this paragraph, "research and development" means basic and  
34 applied research in the sciences and engineering, and designing,  
35 developing or testing prototypes, processes or new products, including  
36 research and development of computer software that is embedded in or an  
37 integral part of the prototype or new product or that is required for  
38 machinery or equipment otherwise exempt under this section to function  
39 effectively. Research and development do not include manufacturing  
40 quality control, routine consumer product testing, market research, sales  
41 promotion, sales service, research in social sciences or psychology,  
42 computer software research that is not included in the definition of  
43 research and development, or other nontechnological activities or  
44 technical services.

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

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

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

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

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

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

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

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

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

39           17. Machinery and equipment used directly in the feeding of  
40 poultry, the environmental control of housing for poultry, the movement of  
41 eggs within a production and packaging facility or the sorting or cooling  
42 of eggs. This exemption does not apply to vehicles used for transporting  
43 eggs.

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

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

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

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

28           (b) Machinery or equipment purchased to replace machinery or  
29 equipment for which an exemption was previously claimed and taken under  
30 this paragraph.

31           (c) Any machinery or equipment purchased after the television  
32 station has ceased analog broadcasting, or purchased after November 1,  
33 2009, whichever occurs first.

34           21. Qualifying equipment that is purchased from and after June 30,  
35 2004 through June 30, 2024 by a qualified business under section 41-1516  
36 for harvesting or processing qualifying forest products removed from  
37 qualifying projects as defined in section 41-1516. To qualify for this  
38 deduction, the qualified business at the time of purchase must present its  
39 certification approved by the department.

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

42           1. Expendable materials. For the purposes of this paragraph,  
43 expendable materials do not include any of the categories of tangible  
44 personal property specified in subsection B of this section regardless of  
45 the cost or useful life of that property.

- 1           2. Janitorial equipment and hand tools.
- 2           3. Office equipment, furniture and supplies.
- 3           4. Tangible personal property used in selling or distributing
- 4 activities, other than the telecommunications transmissions described in
- 5 subsection B, paragraph 15 of this section.
- 6           5. Motor vehicles required to be licensed by this state, except
- 7 buses or other urban mass transit vehicles specifically exempted pursuant
- 8 to subsection B, paragraph 11 of this section, without regard to the use
- 9 of such motor vehicles.
- 10          6. Shops, buildings, docks, depots and all other materials of
- 11 whatever kind or character not specifically included as exempt.
- 12          7. Motors and pumps used in drip irrigation systems.
- 13          8. Machinery and equipment or other tangible personal property used
- 14 by a contractor in the performance of a contract.
- 15          D. In addition to the deductions from the tax base prescribed by
- 16 subsection A of this section, there shall be deducted from the tax base
- 17 the gross proceeds of sales or gross income derived from sales of
- 18 machinery, equipment, materials and other tangible personal property used
- 19 directly and predominantly to construct a qualified environmental
- 20 technology manufacturing, producing or processing facility as described in
- 21 section 41-1514.02. This subsection applies for ten full consecutive
- 22 calendar or fiscal years after the start of initial construction.
- 23          E. In computing the tax base, gross proceeds of sales or gross
- 24 income from retail sales of heavy trucks and trailers does not include any
- 25 amount attributable to federal excise taxes imposed by 26 United States
- 26 Code section 4051.
- 27          F. If a person is engaged in an occupation or business to which
- 28 subsection A of this section applies, the person's books shall be kept so
- 29 as to show separately the gross proceeds of sales of tangible personal
- 30 property and the gross income from sales of services, and if not so kept
- 31 the tax shall be imposed on the total of the person's gross proceeds of
- 32 sales of tangible personal property and gross income from services.
- 33          G. If a person is engaged in the business of selling tangible
- 34 personal property at both wholesale and retail, the tax under this section
- 35 applies only to the gross proceeds of the sales made other than at
- 36 wholesale if the person's books are kept so as to show separately the
- 37 gross proceeds of sales of each class, and if the books are not so kept,
- 38 the tax under this section applies to the gross proceeds of every sale so
- 39 made.
- 40          H. A person who engages in manufacturing, baling, crating, boxing,
- 41 barreling, canning, bottling, sacking, preserving, processing or otherwise
- 42 preparing for sale or commercial use any livestock, agricultural or
- 43 horticultural product or any other product, article, substance or
- 44 commodity and who sells the product of such business at retail in this

1 state is deemed, as to such sales, to be engaged in business classified  
2 under the retail classification. This subsection does not apply to:

3 1. Agricultural producers who are owners, proprietors or tenants of  
4 agricultural lands, orchards, farms or gardens where agricultural products  
5 are grown, raised or prepared for market and who are marketing their own  
6 agricultural products.

7 2. Businesses classified under the:

8 (a) Transporting classification.

9 (b) Utilities classification.

10 (c) Telecommunications classification.

11 (d) Pipeline classification.

12 (e) Private car line classification.

13 (f) Publication classification.

14 (g) Job printing classification.

15 (h) Prime contracting classification.

16 (i) Restaurant classification.

17 I. The gross proceeds of sales or gross income derived from the  
18 following shall be deducted from the tax base for the retail  
19 classification:

20 1. Sales made directly to the United States government or its  
21 departments or agencies by a manufacturer, modifier, assembler or  
22 repairer.

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

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

33 4. Sales of overhead materials or other tangible personal property  
34 to a manufacturer, modifier, assembler or repairer if the gross proceeds  
35 of sales or gross income derived from the property by the manufacturer,  
36 modifier, assembler or repairer will be exempt under paragraph 3 of this  
37 subsection.

38 J. There shall be deducted from the tax base fifty percent of the  
39 gross proceeds or gross income from any sale of tangible personal property  
40 made directly to the United States government or its departments or  
41 agencies that is not deducted under subsection I of this section.

42 K. The department shall require every person claiming a deduction  
43 provided by subsection I or J of this section to file on forms prescribed  
44 by the department at such times as the department directs a sworn

1 statement disclosing the name of the purchaser and the exact amount of  
2 sales on which the exclusion or deduction is claimed.

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

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

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

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

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

21 O. For the purposes of this section, a sale of wireless  
22 telecommunications equipment to a person who holds the equipment for sale  
23 or transfer to a customer as an inducement to enter into or continue a  
24 contract for telecommunications services that are taxable under section  
25 42-5064 is considered to be a sale for resale in the regular course of  
26 business.

27 P. Retail sales of prepaid calling cards or prepaid authorization  
28 numbers for telecommunications services, including sales of  
29 reauthorization of a prepaid card or authorization number, are subject to  
30 tax under this section.

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

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

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

39 R. For the purposes of this section, the transfer of title or  
40 possession of coal from an owner or operator of a power plant to a person  
41 in the business of refining coal is not a sale of coal if both of the  
42 following apply:

43 1. The transfer of title or possession of the coal is for the  
44 purpose of refining the coal.

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

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

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

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

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

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

1 V. For the purposes of this section:

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

5 2. "Aircraft" includes:

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

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

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

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

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

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

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

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

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

38 5. "Repairer" means a person who restores or renews products, wares  
39 or articles of manufacture.

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



1 title to overhead materials or other tangible personal property used in  
2 the performance of the subcontract to pass to the government or that  
3 includes provisions incorporating such title passing clauses in a  
4 government contract into the subcontract.

5 Sec. 8. Section 42-5061, Arizona Revised Statutes, as amended by  
6 Laws 2018, chapter 104, section 15, chapter 249, section 1 and chapter  
7 263, section 1, is amended to read:

8 42-5061. Retail classification; definitions

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

14 1. Professional or personal service occupations or businesses that  
15 involve sales or transfers of tangible personal property only as  
16 inconsequential elements.

17 2. Services rendered in addition to selling tangible personal  
18 property at retail.

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

22 4. Sales of tangible personal property by any nonprofit  
23 organization organized and operated exclusively for charitable purposes  
24 and recognized by the United States internal revenue service under section  
25 501(c)(3) of the internal revenue code.

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

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

31 7. The sale of stocks and bonds.

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

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

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

40 11. Prescription eyeglasses or contact lenses.

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

42 13. Durable medical equipment that has a centers for medicare and  
43 medicaid services common procedure code, is designated reimbursable by  
44 medicare, is prescribed by a person who is licensed under title 32,  
45 chapter 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is

1 primarily and customarily used to serve a medical purpose, is generally  
2 not useful to a person in the absence of illness or injury and is  
3 appropriate for use in the home.

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

7 15. Food, as provided in and subject to the conditions of article 3  
8 of this chapter and ~~section~~ SECTIONS 42-5074 AND 42-6017.

9 16. Items purchased with United States department of agriculture  
10 coupons issued under the supplemental nutrition assistance program  
11 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;  
12 7 United States Code sections 2011 through 2036b) by the United States  
13 department of agriculture food and nutrition service or food instruments  
14 issued under section 17 of the child nutrition act (P.L. 95-627; 92 Stat.  
15 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States Code  
16 section 1786).

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

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

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

28 20. Lottery tickets or shares pursuant to title 5, chapter 5.1,  
29 article 1.

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

37 (a) "Cash equivalents" means items or intangibles, whether or not  
38 negotiable, that are sold to one or more persons, through which a value  
39 denominated in money is purchased in advance and may be redeemed in full  
40 or in part for tangible personal property, intangibles or services. Cash  
41 equivalents include gift cards, stored value cards, gift certificates,  
42 vouchers, traveler's checks, money orders or other instruments, orders or  
43 electronic mechanisms, such as an electronic code, personal identification  
44 number or digital payment mechanism, or any other prepaid intangible right  
45 to acquire tangible personal property, intangibles or services in the

1 future, whether from the seller of the cash equivalent or from another  
2 person. Cash equivalents do not include either of the following:

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

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

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

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

14 22. Motor vehicle fuel and use fuel that are subject to a tax  
15 imposed under title 28, chapter 16, article 1, sales of use fuel to a  
16 holder of a valid single trip use fuel tax permit issued under section  
17 28-5739, sales of aviation fuel that are subject to the tax imposed under  
18 section 28-8344 and sales of jet fuel that are subject to the tax imposed  
19 under article 8 of this chapter.

20 23. Tangible personal property sold to a person engaged in the  
21 business of leasing or renting such property under the personal property  
22 rental classification if such property is to be leased or rented by such  
23 person.

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

27 25. Tangible personal property sold to:

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

29 (b) A qualifying health care organization as defined in section  
30 42-5001 if the tangible personal property is used by the organization  
31 solely to provide health and medical related educational and charitable  
32 services.

33 (c) A qualifying health care organization as defined in section  
34 42-5001 if the organization is dedicated to providing educational,  
35 therapeutic, rehabilitative and family medical education training for  
36 blind and visually impaired children and children with multiple  
37 disabilities from the time of birth to age twenty-one.

38 (d) A qualifying community health center as defined in section  
39 42-5001.

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

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

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

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

14 27. Tangible personal property sold to:

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

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

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

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

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

32 28. The sale of a motor vehicle to:

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

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

40 29. Tangible personal property purchased in this state by a  
41 nonprofit charitable organization that has qualified under section  
42 501(c)(3) of the United States internal revenue code and that engages in  
43 and uses such property exclusively in programs for persons with mental or  
44 physical disabilities if the programs are exclusively for training, job  
45 placement, rehabilitation or testing.

1           30. Sales of tangible personal property by a nonprofit organization  
2 that is exempt from taxation under section 501(c)(3), 501(c)(4) or  
3 501(c)(6) of the internal revenue code if the organization is associated  
4 with a major league baseball team or a national touring professional  
5 golfing association and no part of the organization's net earnings inures  
6 to the benefit of any private shareholder or individual. This paragraph  
7 does not apply to an organization that is owned, managed or controlled, in  
8 whole or in part, by a major league baseball team, or its owners,  
9 officers, employees or agents, or by a major league baseball association  
10 or professional golfing association, or its owners, officers, employees or  
11 agents, unless the organization conducted or operated exhibition events in  
12 this state before January 1, 2018 that were exempt from taxation under  
13 section 42-5073.

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

19           32. Sales of tangible personal property by a nonprofit organization  
20 that is exempt from taxation under section 501(c)(3), 501(c)(4),  
21 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code if the  
22 organization sponsors or operates a rodeo featuring primarily farm and  
23 ranch animals and no part of the organization's net earnings inures to the  
24 benefit of any private shareholder or individual.

25           33. Sales of seeds, seedlings, roots, bulbs, cuttings and other  
26 propagative material to persons who use those items to commercially  
27 produce agricultural, horticultural, viticultural or floricultural crops  
28 in this state.

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

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

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

39           37. Petroleum, coke, natural gas, virgin fuel oil and electricity  
40 sold to a qualified environmental technology manufacturer, producer or  
41 processor as defined in section 41-1514.02 and directly used or consumed  
42 in the generation or provision of on-site power or energy solely for  
43 environmental technology manufacturing, producing or processing or  
44 environmental protection. This paragraph shall apply for twenty full  
45 consecutive calendar or fiscal years from the date the first paper

1 manufacturing machine is placed in service. In the case of an  
2 environmental technology manufacturer, producer or processor who does not  
3 manufacture paper, the time period shall begin with the date the first  
4 manufacturing, processing or production equipment is placed in service.

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

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

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

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

32 40. Sales of food, drink and condiment for consumption within the  
33 premises of any prison, jail or other institution under the jurisdiction  
34 of the state department of corrections, the department of public safety,  
35 the department of juvenile corrections or a county sheriff.

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

41 42. Sales of:

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

44 (b) Livestock and poultry feed, salts, vitamins and other additives  
45 for livestock or poultry consumption that are sold to persons for use or

1 consumption by their own livestock or poultry, for use or consumption in  
2 the businesses of farming, ranching and producing or feeding livestock,  
3 poultry, or livestock or poultry products or for use or consumption in  
4 noncommercial boarding of livestock. For the purposes of this paragraph,  
5 "poultry" includes ratites.

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

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

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

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

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

29 (a) Printed or photographic materials, beginning August 7, 1985.

30 (b) Electronic or digital media materials, beginning July 17, 1994.

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

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

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

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

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

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

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

18           (b) "Curriculum design or enhancement" means planning, implementing  
19 or reporting on courses of study, lessons, assignments or other learning  
20 activities.

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

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

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

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



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

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

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

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

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

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

25           61. Sales of coal.

26           62. SALES OF TANGIBLE PERSONAL PROPERTY BY A MARKETPLACE SELLER  
27 THAT ARE FACILITATED BY A MARKETPLACE FACILITATOR IN WHICH THE MARKETPLACE  
28 FACILITATOR HAS REMITTED OR WILL REMIT THE APPLICABLE TAX TO THE  
29 DEPARTMENT PURSUANT TO SECTION 42-5014.

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

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

41           2. Mining machinery, or equipment, used directly in the process of  
42 extracting ores or minerals from the earth for commercial purposes,  
43 including equipment required to prepare the materials for extraction and  
44 handling, loading or transporting such extracted material to the surface.

1 "Mining" includes underground, surface and open pit operations for  
2 extracting ores and minerals.

3 3. Tangible personal property sold to persons engaged in business  
4 classified under the telecommunications classification, including a person  
5 representing or working on behalf of such a person in a manner described  
6 in section 42-5075, subsection 0, and consisting of central office  
7 switching equipment, switchboards, private branch exchange equipment,  
8 microwave radio equipment and carrier equipment including optical fiber,  
9 coaxial cable and other transmission media that are components of carrier  
10 systems.

11 4. Machinery, equipment or transmission lines used directly in  
12 producing or transmitting electrical power, but not including  
13 distribution. Transformers and control equipment used at transmission  
14 substation sites constitute equipment used in producing or transmitting  
15 electrical power.

16 5. Neat animals, horses, asses, sheep, ratites, swine or goats used  
17 or to be used as breeding or production stock, including sales of  
18 breedings or ownership shares in such animals used for breeding or  
19 production.

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

24 7. Aircraft, navigational and communication instruments and other  
25 accessories and related equipment sold to:

26 (a) A person:

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

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

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

40 (iv) Operating an aircraft to transport persons in any manner for  
41 compensation or hire, or for use in a fractional ownership program that  
42 meets the requirements of federal aviation administration regulations  
43 (14 Code of Federal Regulations part 91, subpart K), including as an air  
44 carrier, a foreign air carrier or a commercial operator or under a  
45 restricted category, within the meaning of 14 Code of Federal Regulations,

1 regardless of whether the operation or aircraft is regulated or certified  
2 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code  
3 of Federal Regulations.

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

9 (b) Any foreign government.

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

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

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

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

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

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

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

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

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

3 14. Machinery or equipment used in research and development. For  
4 the purposes of this paragraph, "research and development" means basic and  
5 applied research in the sciences and engineering, and designing,  
6 developing or testing prototypes, processes or new products, including  
7 research and development of computer software that is embedded in or an  
8 integral part of the prototype or new product or that is required for  
9 machinery or equipment otherwise exempt under this section to function  
10 effectively. Research and development do not include manufacturing  
11 quality control, routine consumer product testing, market research, sales  
12 promotion, sales service, research in social sciences or psychology,  
13 computer software research that is not included in the definition of  
14 research and development, or other nontechnological activities or  
15 technical services.

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

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

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

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

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

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

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

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

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

9 17. Machinery and equipment used directly in the feeding of  
10 poultry, the environmental control of housing for poultry, the movement of  
11 eggs within a production and packaging facility or the sorting or cooling  
12 of eggs. This exemption does not apply to vehicles used for transporting  
13 eggs.

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

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

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

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

41 (b) Machinery or equipment purchased to replace machinery or  
42 equipment for which an exemption was previously claimed and taken under  
43 this paragraph.

1 (c) Any machinery or equipment purchased after the television  
2 station has ceased analog broadcasting, or purchased after November 1,  
3 2009, whichever occurs first.

4 21. Qualifying equipment that is purchased from and after June 30,  
5 2004 through June 30, 2024 by a qualified business under section 41-1516  
6 for harvesting or processing qualifying forest products removed from  
7 qualifying projects as defined in section 41-1516. To qualify for this  
8 deduction, the qualified business at the time of purchase must present its  
9 certification approved by the department.

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

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

16 2. Janitorial equipment and hand tools.

17 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

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

42 F. If a person is engaged in an occupation or business to which  
43 subsection A of this section applies, the person's books shall be kept so  
44 as to show separately the gross proceeds of sales of tangible personal  
45 property and the gross income from sales of services, and if not so kept

1 the tax shall be imposed on the total of the person's gross proceeds of  
2 sales of tangible personal property and gross income from services.

3 G. If a person is engaged in the business of selling tangible  
4 personal property at both wholesale and retail, the tax under this section  
5 applies only to the gross proceeds of the sales made other than at  
6 wholesale if the person's books are kept so as to show separately the  
7 gross proceeds of sales of each class, and if the books are not so kept,  
8 the tax under this section applies to the gross proceeds of every sale so  
9 made.

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

17 1. Agricultural producers who are owners, proprietors or tenants of  
18 agricultural lands, orchards, farms or gardens where agricultural products  
19 are grown, raised or prepared for market and who are marketing their own  
20 agricultural products.

21 2. Businesses classified under the:

22 (a) Transporting classification.

23 (b) Utilities classification.

24 (c) Telecommunications classification.

25 (d) Pipeline classification.

26 (e) Private car line classification.

27 (f) Publication classification.

28 (g) Job printing classification.

29 (h) Prime contracting classification.

30 (i) Restaurant classification.

31 I. The gross proceeds of sales or gross income derived from the  
32 following shall be deducted from the tax base for the retail  
33 classification:

34 1. Sales made directly to the United States government or its  
35 departments or agencies by a manufacturer, modifier, assembler or  
36 repairer.

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

41 3. Overhead materials or other tangible personal property that is  
42 used in performing a contract between the United States government and a  
43 manufacturer, modifier, assembler or repairer, including property used in  
44 performing a subcontract with a government contractor who is a

1 manufacturer, modifier, assembler or repairer, to which title passes to  
2 the government under the terms of the contract or subcontract.

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

8 J. There shall be deducted from the tax base fifty percent of the  
9 gross proceeds or gross income from any sale of tangible personal property  
10 made directly to the United States government or its departments or  
11 agencies that is not deducted under subsection I of this section.

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

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

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

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

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

28 N. In computing the tax base in the case of the sale or transfer of  
29 wireless telecommunications equipment as an inducement to a customer to  
30 enter into or continue a contract for telecommunications services that are  
31 taxable under section 42-5064, gross proceeds of sales or gross income  
32 does not include any sales commissions or other compensation received by  
33 the retailer as a result of the customer entering into or continuing a  
34 contract for the telecommunications services.

35 O. For the purposes of this section, a sale of wireless  
36 telecommunications equipment to a person who holds the equipment for sale  
37 or transfer to a customer as an inducement to enter into or continue a  
38 contract for telecommunications services that are taxable under section  
39 42-5064 is considered to be a sale for resale in the regular course of  
40 business.

41 P. Retail sales of prepaid calling cards or prepaid authorization  
42 numbers for telecommunications services, including sales of  
43 reauthorization of a prepaid card or authorization number, are subject to  
44 tax under this section.



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

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

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

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

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

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

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

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

1 U. For the purposes of this section:

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

5 2. "Aircraft" includes:

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

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

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

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

21 V. For the purposes of subsection I of this section:

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

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

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

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

38 5. "Repairer" means a person who restores or renews products, wares  
39 or articles of manufacture.

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

1 title to overhead materials or other tangible personal property used in  
2 the performance of the subcontract to pass to the government or that  
3 includes provisions incorporating such title passing clauses in a  
4 government contract into the subcontract.

5 Sec. 9. Section 42-5159, Arizona Revised Statutes, is amended to  
6 read:

7 42-5159. Exemptions

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

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

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

20 3. Tangible personal property, the storage, use or consumption of  
21 which the constitution or laws of the United States prohibit this state  
22 from taxing or to the extent that the rate or imposition of tax is  
23 unconstitutional under the laws of the United States.

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

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

36 6. Tangible personal property brought into this state by an  
37 individual who was a nonresident at the time the property was purchased  
38 for storage, use or consumption by the individual if the first actual use  
39 or consumption of the property was outside this state, unless the property  
40 is used in conducting a business in this state.

41 7. Purchases of implants used as growth promotants and injectable  
42 medicines, not already exempt under paragraph 16 of this subsection, for  
43 livestock and poultry owned by, or in possession of, persons who are  
44 engaged in producing livestock, poultry, or livestock or poultry products,

1 or who are engaged in feeding livestock or poultry commercially. For the  
2 purposes of this paragraph, "poultry" includes ratites.

3 8. Purchases of:

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

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

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

14 10. Tangible personal property not exceeding ~~two hundred dollars~~  
15 \$200 in any one month purchased by an individual at retail outside the  
16 continental limits of the United States for the individual's own personal  
17 use and enjoyment.

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

22 12. 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 13. Tangible personal property purchased by:

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

32 (b) A hospital operated by this state or a political subdivision of  
33 this state.

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

39 (d) A qualifying health care organization, as defined in section  
40 42-5001, if the tangible personal property is used by the organization  
41 solely to provide health and medical related educational and charitable  
42 services.

43 (e) A qualifying health care organization as defined in section  
44 42-5001 if the organization is dedicated to providing educational,  
45 therapeutic, rehabilitative and family medical education training for

1 blind and visually impaired children and children with multiple  
2 disabilities from the time of birth to age twenty-one.

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

8 (g) A person that is subject to tax under this chapter by reason of  
9 being engaged in business classified under section 42-5075, or a  
10 subcontractor working under the control of a person that is engaged in  
11 business classified under section 42-5075, if the tangible personal  
12 property is any of the following:

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

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

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

19 (h) A person that is not subject to tax under section 42-5075 and  
20 that has been provided a copy of a certificate described in section  
21 42-5009, subsection L, if the property purchased is incorporated or  
22 fabricated by the person into the real property, structure, project,  
23 development or improvement described in the certificate.

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

28 (j) A qualifying community health center as defined in section  
29 42-5001.

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

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

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

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

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

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

13 15. Tangible personal property sold by:

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

17 (b) A nonprofit organization that is exempt from taxation under  
18 section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if  
19 the organization is associated with a major league baseball team or a  
20 national touring professional golfing association and no part of the  
21 organization's net earnings inures to the benefit of any private  
22 shareholder or individual. This subdivision does not apply to an  
23 organization that is owned, managed or controlled, in whole or in part, by  
24 a major league baseball team, or its owners, officers, employees or  
25 agents, or by a major league baseball association or professional golfing  
26 association, or its owners, officers, employees or agents, unless the  
27 organization conducted or operated exhibition events in this state before  
28 January 1, 2018 that were exempt from transaction privilege tax under  
29 section 42-5073.

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

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

40 17. Prosthetic appliances, as defined in section 23-501, prescribed  
41 or recommended by a person who is licensed, registered or otherwise  
42 professionally credentialed as a physician, dentist, podiatrist,  
43 chiropractor, naturopath, homeopath, nurse or optometrist.

44 18. Prescription eyeglasses and contact lenses.

45 19. Insulin, insulin syringes and glucose test strips.

1           20. Hearing aids as defined in section 36-1901.

2           21. Durable medical equipment that has a centers for medicare and  
3           medicaid services common procedure code, is designated reimbursable by  
4           medicare, is prescribed by a person who is licensed under title 32,  
5           chapter 7, 13, 17 or 29, can withstand repeated use, is primarily and  
6           customarily used to serve a medical purpose, is generally not useful to a  
7           person in the absence of illness or injury and is appropriate for use in  
8           the home.

9           22. Food, as provided in and subject to the conditions of article 3  
10          of this chapter and ~~section~~ SECTIONS 42-5074 AND 42-6017.

11          23. Items purchased with United States department of agriculture  
12          coupons issued under the supplemental nutrition assistance program  
13          pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;  
14          7 United States Code sections 2011 through 2036b) by the United States  
15          department of agriculture food and nutrition service or food instruments  
16          issued under section 17 of the child nutrition act (P.L. 95-627; 92 Stat.  
17          3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States Code  
18          section 1786).

19          24. Food and drink provided without monetary charge by a taxpayer  
20          that is subject to section 42-5074 to its employees for their own  
21          consumption on the premises during the employees' hours of employment.

22          25. Tangible personal property that is used or consumed in a  
23          business subject to section 42-5074 for human food, drink or condiment,  
24          whether simple, mixed or compounded.

25          26. Food, drink or condiment and accessory tangible personal  
26          property that are acquired for use by or provided to a school district or  
27          charter school if they are to be either served or prepared and served to  
28          persons for consumption on the premises of a public school in the school  
29          district or on the premises of the charter school during school hours.

30          27. Lottery tickets or shares purchased pursuant to title 5,  
31          chapter 5.1, article 1.

32          28. Textbooks, sold by a bookstore, that are required by any state  
33          university or community college.

34          29. Magazines, other periodicals or other publications produced by  
35          this state to encourage tourist travel.

36          30. Paper machine clothing, such as forming fabrics and dryer  
37          felts, purchased by a paper manufacturer and directly used or consumed in  
38          paper manufacturing.

39          31. Coal, petroleum, coke, natural gas, virgin fuel oil and  
40          electricity purchased by a qualified environmental technology  
41          manufacturer, producer or processor as defined in section 41-1514.02 and  
42          directly used or consumed in the generation or provision of on-site power  
43          or energy solely for environmental technology manufacturing, producing or  
44          processing or environmental protection. This paragraph shall apply for  
45          twenty full consecutive calendar or fiscal years from the date the first

1 paper manufacturing machine is placed in service. In the case of an  
2 environmental technology manufacturer, producer or processor who does not  
3 manufacture paper, the time period shall begin with the date the first  
4 manufacturing, processing or production equipment is placed in service.

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

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

9 (b) Public educational institutions.

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

13 33. Natural gas or liquefied petroleum gas used to propel a motor  
14 vehicle.

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

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

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

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

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



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

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

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

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

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

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

39           43. Tangible personal property purchased by a commercial airline  
40 and consisting of food, beverages and condiments and accessories used for  
41 serving the food and beverages, if those items are to be provided without  
42 additional charge to passengers for consumption in flight. For the  
43 purposes of this paragraph, "commercial airline" means a person holding a  
44 federal certificate of public convenience and necessity or foreign air

1 carrier permit for air transportation to transport persons, property or  
2 United States mail in intrastate, interstate or foreign commerce.

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

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

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

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

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

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

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

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

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

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

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

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

44 52. Repair parts installed in equipment used directly by a  
45 qualified business under section 41-1516 in harvesting, processing or

1 transporting qualifying forest products removed from qualifying projects  
2 as defined in section 41-1516.

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

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

18 55. Coal acquired from an owner or operator of a power plant by a  
19 person who is responsible for refining coal if both of the following  
20 apply:

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

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

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

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

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

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

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

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

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

17           (ii) Prepaid calling cards for telecommunications services.

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

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

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

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

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

41           3. Tangible personal property sold to persons engaged in business  
42 classified under the telecommunications classification under section  
43 42-5064, including a person representing or working on behalf of such a  
44 person in a manner described in section 42-5075, subsection 0, and  
45 consisting of central office switching equipment, switchboards, private

1 branch exchange equipment, microwave radio equipment and carrier equipment  
2 including optical fiber, coaxial cable and other transmission media that  
3 are components of carrier systems.

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

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

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

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

19 (a) A person:

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

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

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

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

42 (v) That will lease or otherwise transfer operational control,  
43 within the meaning of federal aviation administration operations  
44 specification A008, or its successor, of the aircraft, instruments or

1 accessories to one or more persons described in item (i), (ii), (iii) or  
2 (iv) of this subdivision, subject to section 42-5009, subsection Q.

3 (b) Any foreign government.

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

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

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

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

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

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

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

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

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

42 14. Machinery or equipment used in research and development. For  
43 the purposes of this paragraph, "research and development" means basic and  
44 applied research in the sciences and engineering, and designing,  
45 developing or testing prototypes, processes or new products, including

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

7           C. The exemptions provided by subsection B of this section do not  
8 include:

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

13           2. Janitorial equipment and hand tools.

14           3. Office equipment, furniture and supplies.

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

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

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

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

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

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

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

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

40           E. The tax levied by this article does not apply to the purchase of  
41 solar energy devices from a retailer that is registered with the  
42 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.

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

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

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

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

13 H. A CITY OR TOWN MAY EXEMPT PROCEEDS FROM SALES OF PAINTINGS,  
14 SCULPTURES OR SIMILAR WORKS OF FINE ART IF SUCH WORKS OF FINE ART ARE SOLD  
15 BY THE ORIGINAL ARTIST. FOR THE PURPOSES OF THIS SUBSECTION, FINE ART  
16 DOES NOT INCLUDE AN ART CREATION SUCH AS JEWELRY, MACRAME, GLASSWORK,  
17 POTTERY, WOODWORK, METALWORK, FURNITURE OR CLOTHING IF THE ART CREATION  
18 HAS A DUAL PURPOSE, BOTH AESTHETIC AND UTILITARIAN, WHETHER SOLD BY THE  
19 ARTIST OR BY ANOTHER PERSON.

20 ~~H.~~ I. For the purposes of subsection B of this section:

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

24 2. "Aircraft" includes:

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

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

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

34 ~~H.~~ J. For the purposes of subsection D of this section, "ancillary  
35 services", "electric distribution service", "electric generation service",  
36 "electric transmission service" and "other services" have the same  
37 meanings prescribed in section 42-5063.

38 Sec. 10. Section 42-6002, Arizona Revised Statutes, is amended to  
39 read:

40 42-6002. Administration; procedures for levy, collection and  
41 enforcement applicable to cities and towns;  
42 definition

43 A. Unless the context otherwise requires, chapter 1 and chapter 5,  
44 article 1 of this title govern the administration of the municipal  
45 privilege taxes levied by a city or town.

1 B. The procedures for levy, collection and enforcement of payment  
2 of transaction privilege and affiliated excise taxes, including use tax,  
3 severance tax, jet fuel excise and use tax, and rental occupancy tax,  
4 levied by a city or town shall be in the same manner as authorized by  
5 chapter 5 of this title. EXCEPT FOR BUSINESS ACTIVITIES CLASSIFIED UNDER  
6 THE RETAIL CLASSIFICATION PURSUANT TO SECTION 42-5061, this subsection  
7 does not preclude a city or town from levying a transaction privilege,  
8 sales, use or other similar tax as a result of a person's business  
9 activities as provided in this article and article 2 of this chapter.

10 C. An intergovernmental contract or agreement entered into pursuant  
11 to section 42-6001, subsection A shall include the following provisions:

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

14 2. All auditors shall be trained in accordance with the policies of  
15 the department.

16 3. An auditor that is trained and authorized to conduct an audit  
17 may not represent any taxpayer in any tax matter.

18 4. Except as provided in paragraph 5 of this subsection, the audit  
19 of a taxpayer that has locations in two or more cities or towns shall be  
20 conducted by the department.

21 5. All audits shall include all taxing jurisdictions in this state  
22 regardless of which jurisdiction conducts the audit. A city or town may  
23 conduct an audit of any taxpayer that is engaged in business in only one  
24 city or town and any other taxpayer authorized by the department.

25 6. The department shall issue all audit assessments on behalf of  
26 all taxing jurisdictions in a single notice to the taxpayer.

27 7. Appeals of audit assessments shall be directed to the  
28 department.

29 8. Appeals of audit assessments shall be administered pursuant to  
30 chapter 1, article 6 of this title.

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

34 D. For the purposes of this section, "transaction privilege, sales,  
35 use or other similar tax" means any tax imposed under the model city tax  
36 code.

37 Sec. 11. Title 42, chapter 6, article 1, Arizona Revised Statutes,  
38 is amended by adding section 42-6017, to read:

39 42-6017. Municipal taxation of businesses selling tangible  
40 personal property at retail; state preemption;  
41 exceptions; definitions

42 A. EXCEPT AS PROVIDED IN THIS SECTION, SECTION 42-5061 SUPERSEDES  
43 ALL CITY OR TOWN ORDINANCES OR OTHER LOCAL LAWS INSOFAR AS THE ORDINANCES  
44 OR LOCAL LAWS NOW OR HEREAFTER RELATE TO THE TAXATION OF BUSINESS  
45 ACTIVITIES CLASSIFIED UNDER SECTION 42-5061.

1           B. THE MUNICIPAL TAX RATE FOR BUSINESSES SELLING TANGIBLE PERSONAL  
2 PROPERTY AT RETAIL FOR MARKETPLACE FACILITATORS IS THE MUNICIPAL TAX RATE  
3 THAT IS IN EFFECT IN THE CITY OR TOWN FOR BUSINESSES SELLING TANGIBLE  
4 PERSONAL PROPERTY AT RETAIL ON SEPTEMBER 30, 2019, UNTIL THE CITY OR TOWN  
5 CHANGES THE TAX RATE.

6           C. A CITY OR TOWN MAY:

7           1. NOTWITHSTANDING SECTION 42-5061, SUBSECTION A, PARAGRAPH 15,  
8 LEVY A TRANSACTION PRIVILEGE TAX ON THE GROSS PROCEEDS OF SALES OR GROSS  
9 INCOME DERIVED FROM THE BUSINESS OF SELLING FOOD AT RETAIL BY THE PERSONS  
10 DESCRIBED IN SECTION 42-5102, SUBSECTION A, SUBJECT TO THE CONDITIONS OF  
11 SECTIONS 42-5074, 42-5101 AND 42-6015.

12           2. NOTWITHSTANDING SECTION 42-5061, SUBSECTION A, PARAGRAPH 17,  
13 LEVY A TRANSACTION PRIVILEGE TAX ON THE GROSS PROCEEDS OF SALES OR GROSS  
14 INCOME DERIVED FROM A BOOKSTORE SELLING TEXTBOOKS THAT ARE REQUIRED BY ANY  
15 STATE UNIVERSITY OR COMMUNITY COLLEGE.

16           3. NOTWITHSTANDING SECTION 42-5061, SUBSECTION A, PARAGRAPH 42,  
17 SUBDIVISION (b), LEVY A TRANSACTION PRIVILEGE TAX ON THE GROSS PROCEEDS OF  
18 SALES OR GROSS INCOME DERIVED FROM THE SALES OF LIVESTOCK AND POULTRY  
19 FEED, SALTS, VITAMINS AND OTHER ADDITIVES FOR LIVESTOCK OR POULTRY  
20 CONSUMPTION THAT ARE SOLD TO PERSONS FOR USE OR CONSUMPTION BY THEIR OWN  
21 LIVESTOCK OR POULTRY, FOR USE OR CONSUMPTION IN THE BUSINESSES OF FARMING,  
22 RANCHING AND PRODUCING OR FEEDING LIVESTOCK, POULTRY, OR LIVESTOCK OR  
23 POULTRY PRODUCTS OR FOR USE OR CONSUMPTION IN NONCOMMERCIAL BOARDING OF  
24 LIVESTOCK. FOR THE PURPOSES OF THIS PARAGRAPH, "POULTRY" INCLUDES  
25 RATITES.

26           4. LEVY A TRANSACTION PRIVILEGE TAX ON THE GROSS PROCEEDS OF SALES  
27 OR GROSS INCOME DERIVED FROM THE SALE OF NONMETALLIFEROUS MINED MATERIALS  
28 AT RETAIL.

29           5. NOTWITHSTANDING SECTION 42-5061, SUBSECTION A, PARAGRAPH 60,  
30 LEVY A TRANSACTION PRIVILEGE TAX ON THE GROSS PROCEEDS OF SALES OR GROSS  
31 INCOME DERIVED FROM THE SALE OF WORKS OF FINE ART, AS DEFINED IN SECTION  
32 44-1771, AT AN ART AUCTION OR GALLERY IN THIS STATE TO NONRESIDENTS OF  
33 THIS STATE FOR USE OUTSIDE THIS STATE IF THE VENDOR SHIPS OR DELIVERS THE  
34 WORK OF FINE ART TO A DESTINATION OUTSIDE THIS STATE.

35           6. EXEMPT FROM TRANSACTION PRIVILEGE, SALES, USE OR OTHER SIMILAR  
36 TAX THE SALE OF PAINTINGS, SCULPTURES OR SIMILAR WORKS OF FINE ART, IF  
37 SUCH WORKS OF FINE ART ARE SOLD BY THE ORIGINAL ARTIST. FOR THE PURPOSES  
38 OF THIS PARAGRAPH, FINE ART DOES NOT INCLUDE AN ART CREATION SUCH AS  
39 JEWELRY, MACRAMÉ, GLASSWORK, POTTERY, WOODWORK, METALWORK, FURNITURE OR  
40 CLOTHING IF THE ART CREATION HAS A DUAL PURPOSE, BOTH AESTHETIC AND  
41 UTILITARIAN, WHETHER SOLD BY THE ARTIST OR BY ANOTHER PERSON.

1 D. FOR THE PURPOSES OF THIS SECTION:

2 1. "FOOD" HAS THE SAME MEANING PRESCRIBED BY RULE ADOPTED BY THE  
3 DEPARTMENT PURSUANT TO SECTION 42-5106.

4 2. "MARKETPLACE FACILITATOR" HAS THE SAME MEANING PRESCRIBED IN  
5 SECTION 42-5001.

6 3. "REMOTE SELLER" HAS THE SAME MEANING PRESCRIBED IN SECTION  
7 42-5001.

8 Sec. 12. Section 43-105, Arizona Revised Statutes, is amended to  
9 read:

10 43-105. Internal revenue code; definition; application

11 A. FOR THE PURPOSES OF COMPUTING INCOME TAX PURSUANT TO THIS TITLE,  
12 FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2018, "INTERNAL  
13 REVENUE CODE" MEANS THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS  
14 AMENDED, IN EFFECT ON JANUARY 1, 2019, INCLUDING THOSE PROVISIONS THAT  
15 BECAME EFFECTIVE DURING 2018 WITH THE SPECIFIC ADOPTION OF ALL RETROACTIVE  
16 EFFECTIVE DATES, BUT EXCLUDING ANY CHANGES TO THE CODE ENACTED AFTER  
17 JANUARY 1, 2019.

18 ~~A.~~ B. For the purposes of computing income tax pursuant to this  
19 title, for taxable years beginning from and after December 31, 2017  
20 THROUGH DECEMBER 31, 2018, "internal revenue code" means the United States  
21 internal revenue code of 1986, as amended, in effect on January 1,  
22 ~~2017~~ 2018, INCLUDING THOSE PROVISIONS THAT BECAME EFFECTIVE DURING 2017  
23 WITH THE SPECIFIC ADOPTION OF ALL RETROACTIVE EFFECTIVE DATES, AND  
24 INCLUDING THOSE PROVISIONS OF THE BIPARTISAN BUDGET ACT OF 2018  
25 (P.L. 115-123) AND THE CONSOLIDATED APPROPRIATIONS ACT, 2018  
26 (P.L. 115-141) THAT ARE RETROACTIVELY EFFECTIVE DURING TAXABLE YEARS  
27 BEGINNING FROM AND AFTER DECEMBER 31, 2017 THROUGH DECEMBER 31, 2018.

28 ~~B.~~ C. For the purposes of computing income tax pursuant to this  
29 title, for taxable years beginning from and after December 31, 2016  
30 through December 31, 2017, "internal revenue code" means the United States  
31 internal revenue code of 1986, as amended, in effect on January 1, 2017,  
32 including those provisions that became effective during 2016 with the  
33 specific adoption of all federal retroactive effective dates, and  
34 including those provisions of the disaster tax relief and airport and  
35 airway extension act of 2017 (P.L. 115-63), the tax cuts and jobs act  
36 (P.L. 115-97), ~~and~~ the bipartisan budget act of 2018 (P.L. 115-123) ~~AND~~  
37 THE CONSOLIDATED APPROPRIATIONS ACT, 2018 (P.L. 115-141) that are  
38 retroactively effective during taxable years beginning from and after  
39 December 31, 2016 through December 31, 2017.

40 ~~C.~~ D. For the purposes of computing income tax pursuant to this  
41 title, for taxable years beginning from and after December 31, 2015  
42 through December 31, 2016, "internal revenue code" means the United States  
43 internal revenue code of 1986, as amended, in effect on January 1, 2016,  
44 including those provisions that became effective during 2015 with the  
45 specific adoption of all federal retroactive effective dates, and

1 including those provisions of the United States appreciation for olympians  
 2 and paralympians act of 2016 (P.L. 114-239), ~~and~~ the tax cuts and jobs act  
 3 (P.L. 115-97) **AND THE CONSOLIDATED APPROPRIATIONS ACT, 2018 (P.L. 115-141)**  
 4 that are retroactively effective during taxable years beginning from and  
 5 after December 31, 2015 through December 31, 2016.

6 ~~D.~~ **E.** For the purposes of computing income tax pursuant to this  
 7 title, for taxable years beginning from and after December 31, 2014  
 8 through December 31, 2015, "internal revenue code" means the United States  
 9 internal revenue code of 1986, as amended, in effect on January 1, 2015,  
 10 including those provisions that became effective during 2014 with the  
 11 specific adoption of all federal retroactive effective dates, and  
 12 including those provisions of the slain officer family support act of 2015  
 13 (P.L. 114-7), the don't tax our fallen public safety heroes act  
 14 (P.L. 114-14), the surface transportation and veterans health care choice  
 15 improvement act of 2015 (P.L. 114-41), ~~and~~ the consolidated appropriations  
 16 act, 2016 (P.L. 114-113) **AND THE CONSOLIDATED APPROPRIATIONS ACT, 2018**  
 17 **(P.L. 115-141)** that are retroactively effective during taxable years  
 18 beginning from and after December 31, 2014 through December 31, 2015.

19 ~~E.~~ **F.** For the purposes of computing income tax pursuant to this  
 20 title, for taxable years beginning from and after December 31, 2013  
 21 through December 31, 2014, "internal revenue code" means the United States  
 22 internal revenue code of 1986, as amended, in effect on January 1, 2014,  
 23 including those provisions that became effective during 2013 with the  
 24 specific adoption of all federal retroactive effective dates, and  
 25 including those provisions of the Philippines charitable giving assistance  
 26 act (P.L. 113-92), the Gabriella Miller kids first research act  
 27 (P.L. 113-94), the cooperative and small employer charity pension  
 28 flexibility act (P.L. 113-97), the highway and transportation funding act  
 29 of 2014 (P.L. 113-159), the tribal general welfare exclusion act of 2014  
 30 (P.L. 113-168), the consolidated and further continuing appropriations  
 31 act, 2015 (P.L. 113-235), the 2014 airline bankruptcy payments rollover  
 32 act (P.L. 113-243), the tax increase prevention act of 2014  
 33 (P.L. 113-295), the slain officer family support act of 2015 (P.L. 114-7)  
 34 and the consolidated appropriations act, 2016 (P.L. 114-113) that are  
 35 retroactively effective during taxable years beginning from and after  
 36 December 31, 2013 through December 31, 2014.

37 ~~F.~~ **G.** For the purposes of computing income tax pursuant to this  
 38 title, for taxable years beginning from and after December 31, 2012  
 39 through December 31, 2013, "internal revenue code" means the United States  
 40 internal revenue code of 1986, as amended, in effect on January 3, 2013,  
 41 including those provisions that became effective during 2012 with the  
 42 specific adoption of all federal retroactive effective dates, and  
 43 including those provisions of the Philippines charitable giving assistance  
 44 act (P.L. 113-92), the highway and transportation funding act of 2014  
 45 (P.L. 113-159), the tribal general welfare exclusion act of 2014

1 (P.L. 113-168), the 2014 airline bankruptcy payments rollover act  
 2 (P.L. 113-243), the tax technical corrections act of 2014 (P.L. 113-295,  
 3 division A, title II) and the consolidated appropriations act, 2016  
 4 (P.L. 114-113) that are retroactively effective during taxable years  
 5 beginning from and after December 31, 2012 through December 31, 2013.

6 ~~G.~~ H. For the purposes of computing income tax pursuant to this  
 7 title, for taxable years beginning from and after December 31, 2011  
 8 through December 31, 2012, "internal revenue code" means the United States  
 9 internal revenue code of 1986, as amended, in effect on January 1, 2012,  
 10 including those provisions that became effective during 2011 with the  
 11 specific adoption of all federal retroactive effective dates, and  
 12 including those provisions of the FAA modernization and reform act of 2012  
 13 (P.L. 112-95), the moving ahead for progress in the 21st century act  
 14 (P.L. 112-141), the American taxpayer relief act of 2012 (P.L. 112-240),  
 15 the 2014 airline bankruptcy payments rollover act (P.L. 113-243), the  
 16 tribal general welfare exclusion act of 2014 (P.L. 113-168), the tax  
 17 technical corrections act of 2014 (P.L. 113-295, division A, title II) and  
 18 the consolidated appropriations act, 2016 (P.L. 114-113) that are  
 19 retroactively effective during taxable years beginning from and after  
 20 December 31, 2011 through December 31, 2012.

21 ~~H.~~ I. For the purposes of computing income tax pursuant to this  
 22 title, for taxable years beginning from and after December 31, 2010  
 23 through December 31, 2011, "internal revenue code" means the United States  
 24 internal revenue code of 1986, as amended, in effect on January 1, 2011,  
 25 including those provisions that became effective during 2010 with the  
 26 specific adoption of all federal retroactive effective dates, and  
 27 including those provisions of Public Law 112-40, the moving ahead for  
 28 progress in the 21st century act (P.L. 112-141), the American taxpayer  
 29 relief act of 2012 (P.L. 112-240), the tribal general welfare exclusion  
 30 act of 2014 (P.L. 113-168) and the tax technical corrections act of 2014  
 31 (P.L. 113-295, division A, title II) that are retroactively effective  
 32 during taxable years beginning from and after December 31, 2010 through  
 33 December 31, 2011.

34 ~~I.~~ J. For the purposes of computing income tax pursuant to this  
 35 title, for taxable years beginning from and after December 31, 2009  
 36 through December 31, 2010, "internal revenue code" means the United States  
 37 internal revenue code of 1986, as amended, in effect on January 1, 2010,  
 38 including those provisions that became effective during 2009 with the  
 39 specific adoption of all federal retroactive effective dates, and  
 40 including those provisions of the temporary extension act of 2010  
 41 (P.L. 111-144), the hiring incentives to restore employment act  
 42 (P.L. 111-147), the patient protection and affordable care act  
 43 (P.L. 111-148), the health care and education reconciliation act of 2010  
 44 (P.L. 111-152), the preservation of access to care for medicare  
 45 beneficiaries and pension relief act of 2010 (P.L. 111-192), the



1 Dodd-Frank Wall Street reform and consumer protection act (P.L. 111-203),  
 2 the small business jobs act of 2010 (P.L. 111-240), the claims resolution  
 3 act of 2010 (P.L. 111-291), the tax relief, unemployment insurance  
 4 reauthorization, and job creation act of 2010 (P.L. 111-312), the  
 5 regulated investment company modernization act of 2010 (P.L. 111-325) and  
 6 the tax technical corrections act of 2014 (P.L. 113-295, division A,  
 7 title II) that are retroactively effective during taxable years beginning  
 8 from and after December 31, 2009 through December 31, 2010.

9 ~~⌘~~ K. For purposes of computing income tax pursuant to this title,  
 10 for taxable years beginning from and after December 31, 2008 through  
 11 December 31, 2009, "internal revenue code" means the United States  
 12 internal revenue code of 1986, as amended, in effect on January 1, 2009,  
 13 including those provisions that became effective during 2008 with the  
 14 specific adoption of all federal retroactive effective dates, and  
 15 including those provisions of the American recovery and reinvestment act  
 16 of 2009 (P.L. 111-5) except section 1211, the consumer assistance to  
 17 recycle and save act of 2009 (P.L. 111-32), the worker, homeownership, and  
 18 business assistance act of 2009 (P.L. 111-92) except section 13, the  
 19 hiring incentives to restore employment act (P.L. 111-147), the patient  
 20 protection and affordable care act (P.L. 111-148), the preservation of  
 21 access to care for medicare beneficiaries and pension relief act of 2010  
 22 (P.L. 111-192), the small business jobs act of 2010 (P.L. 111-240), the  
 23 tax relief, unemployment insurance reauthorization, and job creation act  
 24 of 2010 (P.L. 111-312) and the tax technical corrections act of 2014  
 25 (P.L. 113-295, division A, title II) that are retroactively effective  
 26 during taxable years beginning from and after December 31, 2008 through  
 27 December 31, 2009.

28 ~~K. For purposes of computing income tax pursuant to this title, for~~  
 29 ~~taxable years beginning from and after December 31, 2007 through~~  
 30 ~~December 31, 2008, "internal revenue code" means the United States~~  
 31 ~~internal revenue code of 1986, as amended, in effect on January 1, 2008,~~  
 32 ~~including those provisions that became effective during 2007 with the~~  
 33 ~~specific adoption of all federal retroactive effective dates and including~~  
 34 ~~those provisions of the economic stimulus act of 2008 (P.L. 110-185), the~~  
 35 ~~heroes earnings assistance and relief tax act of 2008 (P.L. 110-245), the~~  
 36 ~~heartland, habitat, harvest and horticulture act of 2008 (P.L. 110-246),~~  
 37 ~~the housing assistance tax act of 2008 (P.L. 110-289), the emergency~~  
 38 ~~economic stabilization act of 2008 (P.L. 110-343), the worker, retiree,~~  
 39 ~~and employer recovery act of 2008 (P.L. 110-458), the American recovery~~  
 40 ~~and reinvestment act of 2009 (P.L. 111-5) except section 1211, the worker,~~  
 41 ~~homeownership, and business assistance act of 2009 (P.L. 111-92) except~~  
 42 ~~section 13 and the tax technical corrections act of 2014 (P.L. 113-295,~~  
 43 ~~division A, title II) that are retroactively effective during taxable~~  
 44 ~~years beginning from and after December 31, 2007 through December 31,~~  
 45 ~~2008.~~

1           Sec. 13. Section 43-222, Arizona Revised Statutes, is amended to  
2 read:

3           43-222. Income tax credit review schedule

4           The joint legislative income tax credit review committee shall  
5 review the following income tax credits:

6           1. For years ending in 0 and 5, sections 43-1079.01, 43-1087,  
7 43-1088, 43-1089.04, 43-1167.01 and 43-1175.

8           2. For years ending in 1 and 6, sections 43-1072.02, 43-1074.02,  
9 43-1083, 43-1083.02, 43-1164.03 and 43-1183.

10           3. For years ending in 2 and 7, sections 43-1073, 43-1080, 43-1085,  
11 43-1086, 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1164, 43-1169 and  
12 43-1181.

13           4. For years ending in 3 and 8, sections 43-1074.01, 43-1081,  
14 43-1168, 43-1170 and 43-1178.

15           5. For years ending in 4 and 9, sections 43-1073.01, 43-1076,  
16 43-1081.01, 43-1083.04, 43-1084, 43-1162, 43-1164.05, 43-1170.01 and  
17 43-1184 and, beginning in 2019, sections 43-1083.03 and 43-1164.04.

18           Sec. 14. Section 43-323, Arizona Revised Statutes, is amended to  
19 read:

20           43-323. Place and form of filing returns

21           A. All returns required by this title shall be in such a form as  
22 the department may from time to time prescribe and shall be filed with the  
23 department.

24           B. The department shall prescribe a short form return for  
25 individual taxpayers who:

26           1. Are eligible and elect to pay tax based on the optional tax  
27 tables pursuant to section 43-1012.

28           2. Elect to claim the optional standard deduction pursuant to  
29 section 43-1041, SUBSECTION A, BUT NOT THE INCREASED AMOUNT FOR CHARITABLE  
30 DEDUCTIONS UNDER SECTION 43-1041, SUBSECTION I.

31           3. Elect not to file for credits against income tax liability other  
32 than those contained in sections 43-1072, 43-1072.01, 43-1072.02, ~~and~~  
33 43-1073 AND 43-1089.01.

34           4. Are not required to add any income under section 43-1021 and do  
35 not elect any subtractions under section 43-1022, except for the  
36 exemptions allowed under section 43-1023.

37           C. The department may provide a simplified return form for  
38 individual taxpayers who:

39           1. Are eligible and elect to pay tax based on the optional tax  
40 tables pursuant to section 43-1012.

41           2. Are residents for the full taxable year.

42           3. File as single individuals or married couples filing joint  
43 returns under section 43-309.

44           4. Are not sixty-five years of age or older or blind at the end of  
45 the taxable year.

1           5. Claim no exemptions under section 43-1023 for the taxable year.

2           6. Elect to claim the optional standard deduction under section  
3 43-1041, **SUBSECTION A, BUT NOT THE INCREASED AMOUNT FOR CHARITABLE**  
4 **DEDUCTIONS UNDER SECTION 43-1041, SUBSECTION I.**

5           7. Are not required to add any income under section 43-1021 and do  
6 not elect to claim any subtractions under section 43-1022 or file for any  
7 credits under chapter 10, article 5 of this title, except the credits  
8 provided by sections 43-1072.01, 43-1072.02 and 43-1073.

9           8. Do not elect to contribute a portion of any tax refund as  
10 provided by any provision of chapter 6, article 1 of this title.  
11 Notwithstanding any provision of chapter 6, article 1 of this title, a  
12 simplified return form under this subsection shall not include any space  
13 for the taxpayer to so contribute a portion of a refund.

14           D. The department shall prepare blank forms for the returns and  
15 furnish them on request. Failure to receive or secure the form does not  
16 relieve any taxpayer from making any return required.

17           E. An individual income tax preparer who prepares more than ten  
18 original income tax returns that are timely filed during any taxable year  
19 that begins from and after December 31, 2017 shall file electronically all  
20 individual tax returns prepared by that tax preparer, for that taxable  
21 year and each subsequent taxable year. An individual income tax preparer  
22 may not charge a separate fee to the taxpayer for filing a return using  
23 the department's electronic filing program. This subsection does not  
24 apply if the taxpayer elects to have the return filed on paper or if the  
25 return cannot be filed electronically for reasons outside of the tax  
26 preparer's control.

27           F. Fiduciary returns, partnership returns, withholding returns and  
28 corporate returns shall be filed electronically for taxable years  
29 beginning from and after December 31, 2019, or when the department  
30 establishes an electronic filing program, whichever is later. Any person  
31 who is required to file electronically pursuant to this subsection may  
32 apply to the director, on a form prescribed by the department, for an  
33 annual waiver from the electronic filing requirement. The director may  
34 grant the waiver, which may be renewed for one subsequent year, if any of  
35 the following applies:

- 36           1. The taxpayer has no computer.  
37           2. The taxpayer has no internet access.  
38           3. Any other circumstance considered to be worthy by the director  
39 exists.

40           G. A waiver is not required if the return cannot be electronically  
41 filed for reasons beyond the taxpayer's control, including situations in  
42 which the taxpayer was instructed by either the internal revenue service  
43 or the department of revenue to file by paper.

1           Sec. 15. Section 43-945, Arizona Revised Statutes, is amended to  
2 read:

3           43-945. Allocation of exemptions for blind persons and  
4                                   persons over sixty-five years of age

5           In the case of a return made for a fractional part of the year, the  
6 exemptions allowed under ~~sections~~ SECTION 43-1023 ~~and 43-1043~~ shall be  
7 reduced respectively to ~~amounts which bear~~ AN AMOUNT THAT BEARS the same  
8 ratio to the full exemptions provided as the number of months in the  
9 period for which THE return is made bears to twelve months.

10          Sec. 16. Section 43-1001, Arizona Revised Statutes, is amended to  
11 read:

12          43-1001. Definitions

13          In this chapter, unless the context otherwise requires:

14          1. "Arizona adjusted gross income" of a resident individual means  
15 the individual's Arizona gross income subject to modifications specified  
16 in sections 43-1021 and 43-1022.

17          2. "Arizona gross income" of a resident individual means the  
18 individual's federal adjusted gross income for the taxable year, computed  
19 pursuant to the internal revenue code.

20          3. "Dependent" has the same meaning prescribed by section 152 of  
21 the internal revenue code.

22          4. "Federal adjusted gross income" of a resident individual means  
23 the individual's adjusted gross income computed pursuant to the internal  
24 revenue code.

25          5. "Head of household" has the same meaning prescribed by sections  
26 2(b) and 2(c) of the internal revenue code. Head of household includes an  
27 individual who meets the qualifications of a surviving spouse under  
28 section 2(a) of the internal revenue code.

29          6. "Married person" means a married person on the last day of the  
30 taxable year subject to the rules in section 43-1002.

31          7. "Net income" means taxable income.

32          8. "Person" means an individual.

33          9. "Single person" means any person who is not married or who was  
34 legally separated on the last day of the person's taxable year.

35          10. "Spouse" means the wife or husband of the taxpayer.

36          11. "Taxable income" of a resident individual ~~shall be~~ MEANS Arizona  
37 adjusted gross income less the ~~exemptions and~~ deductions allowed in  
38 article 4 of this chapter.

39          12. "Taxpayer" means any person WHO IS subject to a tax imposed by  
40 this chapter.

41          Sec. 17. Section 43-1011, Arizona Revised Statutes, is amended to  
42 read:

43          43-1011. Taxes and tax rates

44          A. There shall be levied, collected and paid for each taxable year  
45 on the entire taxable income of every resident of this state and on the

1 entire taxable income of every nonresident that is derived from sources  
 2 within this state taxes determined in the following manner:

3 1. For taxable years beginning from and after December 31, 1996  
 4 through December 31, 1997:

5 (a) In the case of a single person or a married person filing  
 6 separately:

<u>If taxable income is:</u>	<u>The tax is:</u>
7 \$0 - \$10,000	2.90% of taxable income
8 \$10,001 - \$25,000	\$290, plus 3.30% of the excess
9 \$25,001 - \$50,000	over \$10,000
10 \$25,001 - \$50,000	\$785, plus 3.90% of the excess
11 \$50,001 - \$150,000	over \$25,000
12 \$50,001 - \$150,000	\$1,760, plus 4.80% of the excess
13 \$150,001 and over	over \$50,000
14 \$150,001 and over	\$6,560, plus 5.17% of the excess
15 \$150,001 and over	over \$150,000

16  
 17 (b) In the case of a married couple filing a joint return or a  
 18 single person who is a head of a household:

<u>If taxable income is:</u>	<u>The tax is:</u>
19 \$0 - \$20,000	2.90% of taxable income
20 \$20,001 - \$50,000	\$580, plus 3.30% of the excess
21 \$50,001 - \$100,000	over \$20,000
22 \$50,001 - \$100,000	\$1,570, plus 3.90% of the excess
23 \$100,001 - \$300,000	over \$50,000
24 \$100,001 - \$300,000	\$3,520, plus 4.80% of the excess
25 \$300,001 and over	over \$100,000
26 \$300,001 and over	\$13,120, plus 5.17% of the
27 \$300,001 and over	excess over \$300,000

28  
 29 2. For taxable years beginning from and after December 31, 1997  
 30 through December 31, 1998:

31 (a) In the case of a single person or a married person filing  
 32 separately:

<u>If taxable income is:</u>	<u>The tax is:</u>
33 \$0 - \$10,000	2.88% of taxable income
34 \$10,001 - \$25,000	\$288, plus 3.24% of the excess
35 \$25,001 - \$50,000	over \$10,000
36 \$25,001 - \$50,000	\$774, plus 3.82% of the excess
37 \$50,001 - \$150,000	over \$25,000
38 \$50,001 - \$150,000	\$1,729, plus 4.74% of the excess
39 \$150,001 and over	over \$50,000
40 \$150,001 and over	\$6,469, plus 5.10% of the excess
41 \$150,001 and over	over \$150,000

1 (b) In the case of a married couple filing a joint return or a  
 2 single person who is a head of a household:

<u>If taxable income is:</u>	<u>The tax is:</u>
3 \$0 - \$20,000	2.88% of taxable income
4 \$20,001 - \$50,000	\$576, plus 3.24% of the excess 5 over \$20,000
6 \$50,001 - \$100,000	\$1,548, plus 3.82% of the excess 7 over \$50,000
8 \$100,001 - \$300,000	\$3,458, plus 4.74% of the excess 9 over \$100,000
10 \$300,001 and over	\$12,938, plus 5.10% of the 11 excess over \$300,000

12  
 13 3. For taxable years beginning from and after December 31, 1998  
 14 through December 31, 2005:

15 (a) In the case of a single person or a married person filing  
 16 separately:

<u>If taxable income is:</u>	<u>The tax is:</u>
17 \$0 - \$10,000	2.87% of taxable income
18 \$10,001 - \$25,000	\$287, plus 3.20% of the excess 19 over \$10,000
20 \$25,001 - \$50,000	\$767, plus 3.74% of the excess 21 over \$25,000
22 \$50,001 - \$150,000	\$1,702, plus 4.72% of the excess 23 over \$50,000
24 \$150,001 and over	\$6,422, plus 5.04% of the excess 25 over \$150,000

26  
 27 (b) In the case of a married couple filing a joint return or a  
 28 single person who is a head of a household:

<u>If taxable income is:</u>	<u>The tax is:</u>
29 \$0 - \$20,000	2.87% of taxable income
30 \$20,001 - \$50,000	\$574, plus 3.20% of the excess 31 over \$20,000
32 \$50,001 - \$100,000	\$1,534, plus 3.74% of the excess 33 over \$50,000
34 \$100,001 - \$300,000	\$3,404, plus 4.72% of the excess 35 over \$100,000
36 \$300,001 and over	\$12,844, plus 5.04% of the 37 excess over \$300,000

38  
 39 4. For taxable years beginning from and after December 31, 2005  
 40 through December 31, 2006:

41 (a) In the case of a single person or a married person filing  
 42 separately:

<u>If taxable income is:</u>	<u>The tax is:</u>
43 \$0 - \$10,000	2.73% of taxable income

1	\$10,001 - \$25,000	\$273, plus 3.04% of the excess
2		over \$10,000
3	\$25,001 - \$50,000	\$729, plus 3.55% of the excess
4		over \$25,000
5	\$50,001 - \$150,000	\$1,617, plus 4.48% of the excess
6		over \$50,000
7	\$150,001 and over	\$6,097, plus 4.79% of the excess
8		over \$150,000

9 (b) In the case of a married couple filing a joint return or a  
 10 single person who is a head of a household:

11	<u>If taxable income is:</u>	<u>The tax is:</u>
12	\$0 - \$20,000	2.73% of taxable income
13	\$20,001 - \$50,000	\$546, plus 3.04% of the excess
14		over \$20,000
15	\$50,001 - \$100,000	\$1,458, plus 3.55% of the excess
16		over \$50,000
17	\$100,001 - \$300,000	\$3,233, plus 4.48% of the excess
18		over \$100,000
19	\$300,001 and over	\$12,193, plus 4.79% of the
20		excess over \$300,000

21 5. Subject to ~~subsection~~ SUBSECTIONS B and C of this section, for  
 22 taxable years beginning from and after December 31, 2006 THROUGH DECEMBER  
 23 31, 2018:

24 (a) In the case of a single person or a married person filing  
 25 separately:

26	<u>If taxable income is:</u>	<u>The tax is:</u>
27	\$0 - \$10,000	2.59% of taxable income
28	\$10,001 - \$25,000	\$259, plus 2.88% of the excess
29		over \$10,000
30	\$25,001 - \$50,000	\$691, plus 3.36% of the excess
31		over \$25,000
32	\$50,001 - \$150,000	\$1,531, plus 4.24% of the excess
33		over \$50,000
34	\$150,001 and over	\$5,771, plus 4.54% of the excess
35		over \$150,000

36 (b) In the case of a married couple filing a joint return or a  
 37 single person who is a head of a household:

38	<u>If taxable income is:</u>	<u>The tax is:</u>
39	\$0 - \$20,000	2.59% of taxable income
40	\$20,001 - \$50,000	\$518, plus 2.88% of the excess
41		over \$20,000
42	\$50,001 - \$100,000	\$1,382, plus 3.36% of the excess
43		over \$50,000
44	\$100,001 - \$300,000	\$3,062, plus 4.24% of the excess
45		over \$100,000

1 \$300,001 and over \$11,542, plus 4.54% of the  
2 excess over \$300,000

3 6. SUBJECT TO SUBSECTION D OF THIS SECTION, FOR TAXABLE YEARS  
4 BEGINNING FROM AND AFTER DECEMBER 31, 2018:

5 (a) IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING  
6 SEPARATELY:

7	<u>IF TAXABLE INCOME IS:</u>	<u>THE TAX IS:</u>
8	\$0 - \$26,500	2.59% OF TAXABLE INCOME
9	\$26,501 - \$53,000	\$686, PLUS 3.34% OF THE AMOUNT 10 OVER \$26,500
11	\$53,001 - \$159,000	\$1,571, PLUS 4.17% OF THE 12 AMOUNT OVER \$53,000
13	\$159,001 AND OVER	\$5,991, PLUS 4.50% OF THE AMOUNT 14 OVER \$159,000

15 (b) IN THE CASE OF A MARRIED COUPLE FILING A JOINT RETURN OR A  
16 SINGLE PERSON WHO IS A HEAD OF A HOUSEHOLD:

17	<u>IF TAXABLE INCOME IS:</u>	<u>THE TAX IS:</u>
18	\$0 - \$53,000	2.59% OF TAXABLE INCOME
19	\$53,001 - \$106,000	\$1,373, PLUS 3.34% OF THE AMOUNT 20 OVER \$53,000
21	\$106,001 - \$318,000	\$3,143, PLUS 4.17% OF THE AMOUNT 22 OVER \$106,000
23	\$318,001 AND OVER	\$11,983, PLUS 4.50% OF THE 24 AMOUNT OVER \$318,000

25 B. For the taxable year beginning from and after December 31, 2014  
26 through December 31, 2015, the department shall adjust the income dollar  
27 amounts for each rate bracket prescribed by subsection A, paragraph 5 of  
28 this section according to the average annual change in the metropolitan  
29 Phoenix consumer price index published by the United States DEPARTMENT OF  
30 LABOR, bureau of labor statistics. The revised dollar amounts shall be  
31 raised to the nearest whole dollar. The income dollar amounts for each  
32 rate bracket may not be revised below the amounts prescribed in the prior  
33 taxable year.

34 C. For each taxable year beginning from and after December 31, 2015  
35 THROUGH DECEMBER 31, 2018, the department shall adjust the income dollar  
36 amounts for each rate bracket prescribed by subsection A, paragraph 5 of  
37 this section according to the average annual change in the metropolitan  
38 Phoenix consumer price index published by the United States DEPARTMENT OF  
39 LABOR, bureau of labor statistics. The revised dollar amounts shall be  
40 raised to the nearest whole dollar. The income dollar amounts for each  
41 rate bracket may not be revised below the amounts prescribed in the prior  
42 taxable year.

43 D. FOR EACH TAXABLE YEAR BEGINNING FROM AND AFTER DECEMBER 31,  
44 2019, THE DEPARTMENT SHALL ADJUST THE INCOME DOLLAR AMOUNT FOR EACH RATE  
45 BRACKET PRESCRIBED BY SUBSECTION A, PARAGRAPH 6 OF THIS SECTION ACCORDING



1 TO THE AVERAGE ANNUAL CHANGE IN THE METROPOLITAN PHOENIX CONSUMER PRICE  
2 INDEX PUBLISHED BY THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR  
3 STATISTICS. THE REVISED DOLLAR AMOUNTS SHALL BE RAISED TO THE NEAREST  
4 WHOLE DOLLAR. THE INCOME DOLLAR AMOUNTS FOR EACH RATE BRACKET MAY NOT BE  
5 REVISED BELOW THE AMOUNTS PRESCRIBED IN THE PRIOR TAXABLE YEAR.

6 Sec. 18. Section 43-1021, Arizona Revised Statutes, is amended to  
7 read:

8 43-1021. Addition to Arizona gross income

9 In computing Arizona adjusted gross income, the following amounts  
10 shall be added to Arizona gross income:

11 1. A beneficiary's share of the fiduciary adjustment to the extent  
12 that the amount determined by section 43-1333 increases the beneficiary's  
13 Arizona gross income.

14 2. An amount equal to the ordinary income portion of a lump sum  
15 distribution that was excluded from federal adjusted gross income pursuant  
16 to the special rule for individuals who attained fifty years of age before  
17 January 1, 1986 under Public Law 99-514, section 1122(h)(3).

18 3. The amount of interest income received on obligations of any  
19 state, territory or possession of the United States, or any political  
20 subdivision thereof, located outside the state of Arizona, reduced, for  
21 taxable years beginning from and after December 31, 1996, by the amount of  
22 any interest on indebtedness and other related expenses that were incurred  
23 or continued to purchase or carry those obligations and that are not  
24 otherwise deducted or subtracted in arriving at Arizona gross income.

25 4. The excess of a partner's share of partnership taxable income  
26 required to be included under chapter 14, article 2 of this title over the  
27 income required to be reported under section 702(a)(8) of the internal  
28 revenue code.

29 5. The excess of a partner's share of partnership losses determined  
30 pursuant to section 702(a)(8) of the internal revenue code over the losses  
31 allowable under chapter 14, article 2 of this title.

32 6. Any amount of agricultural water conservation expenses that were  
33 deducted pursuant to the internal revenue code for which a credit is  
34 claimed under section 43-1084.

35 7. The amount by which the depreciation or amortization computed  
36 under the internal revenue code with respect to property for which a  
37 credit was taken under section 43-1080 exceeds the amount of depreciation  
38 or amortization computed pursuant to the internal revenue code on the  
39 Arizona adjusted basis of the property.

40 8. The amount by which the adjusted basis computed under the  
41 internal revenue code with respect to property for which a credit was  
42 claimed under section 43-1080 and that is sold or otherwise disposed of  
43 during the taxable year exceeds the adjusted basis of the property  
44 computed under section 43-1080.

1           9. The amount by which the depreciation or amortization computed  
2 under the internal revenue code with respect to property for which a  
3 credit was taken under either section 43-1081 or 43-1081.01 exceeds the  
4 amount of depreciation or amortization computed pursuant to the internal  
5 revenue code on the Arizona adjusted basis of the property.

6           10. The amount by which the adjusted basis computed under the  
7 internal revenue code with respect to property for which a credit was  
8 claimed under section 43-1074.02, 43-1081 or 43-1081.01 and that is sold  
9 or otherwise disposed of during the taxable year exceeds the adjusted  
10 basis of the property computed under section 43-1074.02, 43-1081 or  
11 43-1081.01, as applicable.

12           11. The deduction referred to in section 1341(a)(4) of the internal  
13 revenue code for restoration of a substantial amount held under a claim of  
14 right.

15           12. The amount by which a net operating loss carryover or capital  
16 loss carryover allowable pursuant to section 1341(b)(5) of the internal  
17 revenue code exceeds the net operating loss carryover or capital loss  
18 carryover allowable pursuant to section 43-1029, subsection F.

19           13. Any wage expenses deducted pursuant to the internal revenue  
20 code for which a credit is claimed under section 43-1087 and representing  
21 net increases in qualified employment positions for employment of  
22 temporary assistance for needy families recipients.

23           14. The amount of any depreciation allowance allowed pursuant to  
24 section 167(a) of the internal revenue code to the extent not previously  
25 added.

26           15. The amount of a nonqualified withdrawal, as defined in section  
27 15-1871, from a college savings plan established pursuant to section 529  
28 of the internal revenue code that is made to a distributee to the extent  
29 the amount is not included in computing federal adjusted gross income,  
30 except that the amount added under this paragraph shall not exceed the  
31 difference between the amount subtracted under section 43-1022 in prior  
32 taxable years and the amount added under this section in any prior taxable  
33 years.

34           16. The amount of discharge of indebtedness income that is deferred  
35 and excluded from the computation of federal adjusted gross income in the  
36 current taxable year pursuant to section 108(i) of the internal revenue  
37 code as added by section 1231 of the American recovery and reinvestment  
38 act of 2009 (P.L. 111-5).

39           17. The amount of any previously deferred original issue discount  
40 that was deducted in computing federal adjusted gross income in the  
41 current year pursuant to section 108(i) of the internal revenue code as  
42 added by section 1231 of the American recovery and reinvestment act of  
43 2009 (P.L. 111-5), to the extent that the amount was previously subtracted  
44 from Arizona gross income pursuant to section 43-1022, paragraph ~~22~~ 21.

1 18. If a subtraction is or has been taken by the taxpayer under  
2 section 43-1024, in the current or a prior taxable year for the full  
3 amount of eligible access expenditures paid or incurred to comply with the  
4 requirements of the Americans with disabilities act of 1990 (P.L. 101-336)  
5 or title 41, chapter 9, article 8, any amount of eligible access  
6 expenditures that is recognized under the internal revenue code, including  
7 any amount that is amortized according to federal amortization schedules,  
8 and that is included in computing taxable income for the current taxable  
9 year.

10 19. For taxable years beginning from and after December 31, 2017,  
11 the amount of any net capital loss included in Arizona gross income for  
12 the taxable year that is derived from the exchange of one kind of legal  
13 tender for another kind of legal tender. For the purposes of this  
14 paragraph:

15 (a) "Legal tender" means a medium of exchange, including specie,  
16 that is authorized by the United States Constitution or Congress ~~for the~~  
17 ~~payment of~~ TO PAY debts, public charges, taxes and dues.

18 (b) "Specie" means coins having precious metal content.

19 Sec. 19. Section 43-1022, Arizona Revised Statutes, is amended to  
20 read:

21 43-1022. Subtractions from Arizona gross income

22 In computing Arizona adjusted gross income, the following amounts  
23 shall be subtracted from Arizona gross income:

24 1. The amount of exemptions allowed by section 43-1023.

25 2. Benefits, annuities and pensions in an amount totaling not more  
26 than ~~two thousand five hundred dollars~~ \$2,500 received from one or more of  
27 the following:

28 (a) The United States government service retirement and disability  
29 fund, the United States foreign service retirement and disability system  
30 and any other retirement system or plan established by federal law.

31 (b) The Arizona state retirement system, the corrections officer  
32 retirement plan, the public safety personnel retirement system, the  
33 elected officials' retirement plan, an optional retirement program  
34 established by the Arizona board of regents under section 15-1628, an  
35 optional retirement program established by a community college district  
36 board under section 15-1451 or a retirement plan established for employees  
37 of a county, city or town in this state.

38 3. A beneficiary's share of the fiduciary adjustment to the extent  
39 that the amount determined by section 43-1333 decreases the beneficiary's  
40 Arizona gross income.

41 4. Interest income received on obligations of the United States,  
42 ~~less~~ MINUS any interest on indebtedness, or other related expenses, and  
43 deducted in arriving at Arizona gross income, ~~which~~ THAT were incurred or  
44 continued to purchase or carry such obligations.

1           5. The excess of a partner's share of income required to be  
2 included under section 702(a)(8) of the internal revenue code over the  
3 income required to be included under chapter 14, article 2 of this title.

4           6. The excess of a partner's share of partnership losses determined  
5 pursuant to chapter 14, article 2 of this title over the losses allowable  
6 under section 702(a)(8) of the internal revenue code.

7           7. The amount allowed by section 43-1025 for contributions during  
8 the taxable year of agricultural crops to charitable organizations.

9           8. The portion of any wages or salaries paid or incurred by the  
10 taxpayer for the taxable year that is equal to the amount of the federal  
11 work opportunity credit, the empowerment zone employment credit, the  
12 credit for employer paid social security taxes on employee cash tips and  
13 the Indian employment credit that the taxpayer received under sections  
14 45A, 45B, 51(a) and 1396 of the internal revenue code.

15           ~~9. The amount of prizes or winnings less than five thousand dollars~~  
16 ~~in a single taxable year from any of the state lotteries established and~~  
17 ~~operated pursuant to title 5, chapter 5.1, article 1.~~

18           ~~10.~~ 9. The amount of exploration expenses that is determined  
19 pursuant to section 617 of the internal revenue code, that has been  
20 deferred in a taxable year ending before January 1, 1990 and for which a  
21 subtraction has not previously been made. The subtraction shall be made  
22 on a ratable basis as the units of produced ores or minerals discovered or  
23 explored as a result of this exploration are sold.

24           ~~11.~~ 10. The amount included in federal adjusted gross income  
25 pursuant to section 86 of the internal revenue code, relating to taxation  
26 of social security and railroad retirement benefits.

27           ~~12.~~ 11. To the extent not already excluded from Arizona gross  
28 income under the internal revenue code, compensation received for active  
29 service as a member of the reserves, the national guard or the armed  
30 forces of the United States, including compensation for service in a  
31 combat zone as determined under section 112 of the internal revenue code.

32           ~~13.~~ 12. The amount of unreimbursed medical and hospital costs,  
33 adoption counseling, legal and agency fees and other nonrecurring costs of  
34 adoption not to exceed ~~three thousand dollars~~ \$3,000. In the case of a  
35 husband and wife who file separate returns, the subtraction may be taken  
36 by either taxpayer or may be divided between them, but the total  
37 subtractions allowed both husband and wife shall not exceed ~~three thousand~~  
38 ~~dollars~~ \$3,000. The subtraction under this paragraph may be taken for the  
39 costs that are described in this paragraph and that are incurred in prior  
40 years, but the subtraction may be taken only in the year during which the  
41 final adoption order is granted.

42           ~~14.~~ 13. The amount authorized by section 43-1027 for the taxable  
43 year relating to qualified wood stoves, wood fireplaces or gas fired  
44 fireplaces.

1           ~~15.~~ 14. The amount by which a net operating loss carryover or  
2 capital loss carryover allowable pursuant to section 43-1029, subsection F  
3 exceeds the net operating loss carryover or capital loss carryover  
4 allowable pursuant to section 1341(b)(5) of the internal revenue code.

5           ~~16.~~ 15. Any amount of qualified educational expenses that is  
6 distributed from a qualified state tuition program determined pursuant to  
7 section 529 of the internal revenue code and that is included in income in  
8 computing federal adjusted gross income.

9           ~~17.~~ 16. Any item of income resulting from an installment sale that  
10 has been properly subjected to income tax in another state in a previous  
11 taxable year and that is included in Arizona gross income in the current  
12 taxable year.

13           ~~18.~~ 17. The amount authorized by section 43-1030 relating to  
14 holocaust survivors.

15           ~~19.~~ 18. For property placed in service:

16           (a) In taxable years beginning before December 31, 2012, an amount  
17 equal to the depreciation allowable pursuant to section 167(a) of the  
18 internal revenue code for the taxable year computed as if the election  
19 described in section 168(k)(2)(D)(iii) of the internal revenue code had  
20 been made for each applicable class of property in the year the property  
21 was placed in service.

22           (b) In taxable years beginning from and after December 31, 2012  
23 through December 31, 2013, an amount determined in the year the asset was  
24 placed in service based on the calculation in subdivision (a) of this  
25 paragraph. In the first taxable year beginning from and after December  
26 31, 2013, the taxpayer may elect to subtract the amount necessary to make  
27 the depreciation claimed to date for the purposes of this title the same  
28 as it would have been if subdivision (c) of this paragraph had applied for  
29 the entire time the asset was in service. Subdivision (c) of this  
30 paragraph applies for the remainder of the asset's life. If the taxpayer  
31 does not make the election under this subdivision, subdivision (a) of this  
32 paragraph applies for the remainder of the asset's life.

33           (c) In taxable years beginning from and after December 31, 2013  
34 through December 31, 2015, an amount equal to the depreciation allowable  
35 pursuant to section 167(a) of the internal revenue code for the taxable  
36 year as computed as if the additional allowance for depreciation had been  
37 ten percent of the amount allowed pursuant to section 168(k) of the  
38 internal revenue code.

39           (d) In taxable years beginning from and after December 31, 2015  
40 through December 31, 2016, an amount equal to the depreciation allowable  
41 pursuant to section 167(a) of the internal revenue code for the taxable  
42 year as computed as if the additional allowance for depreciation had been  
43 fifty-five percent of the amount allowed pursuant to section 168(k) of the  
44 internal revenue code.

1 (e) In taxable years beginning from and after December 31, 2016, an  
 2 amount equal to the depreciation allowable pursuant to section 167(a) of  
 3 the internal revenue code for the taxable year as computed as if the  
 4 additional allowance for depreciation had been the full amount allowed  
 5 pursuant to section 168(k) of the internal revenue code.

6 ~~20.~~ 19. With respect to property that is sold or otherwise  
 7 disposed of during the taxable year by a taxpayer that complied with  
 8 section 43-1021, paragraph 14 with respect to that property, the amount of  
 9 depreciation that has been allowed pursuant to section 167(a) of the  
 10 internal revenue code to the extent that the amount has not already  
 11 reduced Arizona taxable income in the current or prior taxable years.

12 ~~21.~~ 20. The amount contributed during the taxable year to college  
 13 savings plans established pursuant to section 529 of the internal revenue  
 14 code to the extent that the contributions were not deducted in computing  
 15 federal adjusted gross income. The amount subtracted shall not exceed:

16 (a) ~~Two thousand dollars~~ \$2,000 for a single individual or a head  
 17 of household.

18 (b) ~~Four thousand dollars~~ \$4,000 for a married couple filing a  
 19 joint return. In the case of a husband and wife who file separate  
 20 returns, the subtraction may be taken by either taxpayer or may be divided  
 21 between them, but the total subtractions allowed both husband and wife  
 22 shall not exceed ~~four thousand dollars~~ \$4,000.

23 ~~22.~~ 21. The amount of any original issue discount that was  
 24 deferred and not allowed to be deducted in computing federal adjusted  
 25 gross income in the current taxable year pursuant to section 108(i) of the  
 26 internal revenue code as added by section 1231 of the American recovery  
 27 and reinvestment act of 2009 (P.L. 111-5).

28 ~~23.~~ 22. The amount of previously deferred discharge of  
 29 indebtedness income that is included in the computation of federal  
 30 adjusted gross income in the current taxable year pursuant to section  
 31 108(i) of the internal revenue code as added by section 1231 of the  
 32 American recovery and reinvestment act of 2009 (P.L. 111-5), to the extent  
 33 that the amount was previously added to Arizona gross income pursuant to  
 34 section 43-1021, paragraph 16.

35 ~~24.~~ 23. The portion of the net operating loss carryforward that  
 36 would have been allowed as a deduction in the current year pursuant to  
 37 section 172 of the internal revenue code if the election described in  
 38 section 172(b)(1)(H) of the internal revenue code had not been made in the  
 39 year of the loss that exceeds the actual net operating loss carryforward  
 40 that was deducted in arriving at federal adjusted gross income. This  
 41 subtraction only applies to taxpayers who made an election under section  
 42 172(b)(1)(H) of the internal revenue code as amended by section 1211 of  
 43 the American recovery and reinvestment act of 2009 (P.L. 111-5) or as  
 44 amended by section 13 of the worker, homeownership, and business  
 45 assistance act of 2009 (P.L. 111-92).

1           ~~25.~~ 24. For taxable years beginning from and after December 31,  
2 2013, the amount of any net capital gain included in federal adjusted  
3 gross income for the taxable year derived from investment in a qualified  
4 small business as determined by the Arizona commerce authority pursuant to  
5 section 41-1518.

6           ~~26.~~ 25. An amount of any net long-term capital gain included in  
7 federal adjusted gross income for the taxable year that is derived from an  
8 investment in an asset acquired after December 31, 2011, as follows:

9           (a) For taxable years beginning from and after December 31, 2012  
10 through December 31, 2013, ten percent of the net long-term capital gain  
11 included in federal adjusted gross income.

12           (b) For taxable years beginning from and after December 31, 2013  
13 through December 31, 2014, twenty percent of the net long-term capital  
14 gain included in federal adjusted gross income.

15           (c) For taxable years beginning from and after December 31, 2014,  
16 twenty-five percent of the net long-term capital gain included in federal  
17 adjusted gross income. For the purposes of this paragraph, a transferee  
18 that receives an asset by gift or at the death of a transferor is  
19 considered to have acquired the asset when the asset was acquired by the  
20 transferor. If the date an asset is acquired cannot be verified, a  
21 subtraction under this paragraph is not allowed.

22           ~~27.~~ 26. If an individual is not claiming itemized deductions  
23 pursuant to section 43-1042, the amount of premium costs for long-term  
24 care insurance, as defined in section 20-1691.

25           ~~28.~~ 27. The amount of eligible access expenditures paid or  
26 incurred during the taxable year to comply with the requirements of the  
27 Americans with disabilities act of 1990 (P.L. 101-336) or title 41,  
28 chapter 9, article 8 as provided by section 43-1024.

29           ~~29.~~ 28. For taxable years beginning from and after December 31,  
30 2017, the amount of any net capital gain included in Arizona gross income  
31 for the taxable year that is derived from the exchange of one kind of  
32 legal tender for another kind of legal tender. For the purposes of this  
33 paragraph:

34           (a) "Legal tender" means a medium of exchange, including specie,  
35 that is authorized by the United States Constitution or Congress ~~for the~~  
36 ~~payment of~~ TO PAY debts, public charges, taxes and dues.

37           (b) "Specie" means coins having precious metal content.

38           ~~30.~~ 29. Benefits, annuities and pensions received as retired or  
39 retainer pay of the uniformed services of the United States in amounts as  
40 follows:

41           (a) For taxable years through December 31, 2018, an amount totaling  
42 not more than ~~two thousand five hundred dollars~~ \$2,500.

43           (b) For taxable years beginning from and after December 31, 2018,  
44 an amount totaling not more than ~~three thousand five hundred~~  
45 ~~dollars~~ \$3,500.





1 of daily living and who lives in the taxpayer's principal residence for  
2 the entire taxable year, if the taxpayer pays more than one-half of the  
3 person's total support and maintenance costs. An exemption under this  
4 subsection is in lieu of an exemption under subsection B of this section  
5 for the same person.

6 D. ~~A taxpayer shall not take more than one exemption~~ THE EXEMPTION  
7 UNDER SUBSECTION C OF THIS SECTION IS IN LIEU OF CLAIMING A CREDIT for the  
8 same person under ~~either subsection B or C of this~~ section 43-1073.01.

9 E. A taxpayer is allowed an exemption of ~~two thousand one hundred~~  
10 ~~dollars~~ \$2,100:

11 1. If the taxpayer has attained ~~the age of~~ sixty-five YEARS OF AGE  
12 before the close of the taxable year filing a separate or joint return and  
13 the taxpayer is not claimed as a dependent by another taxpayer.

14 2. For the taxpayer's spouse if the spouse has attained ~~the age of~~  
15 sixty-five YEARS OF AGE before the close of the taxable year, a joint  
16 return is filed and the spouse is not a dependent of another taxpayer.

17 Sec. 21. Section 43-1024, Arizona Revised Statutes, is amended to  
18 read:

19 43-1024. Americans with disabilities act access expenditures

20 A. For taxable years beginning from and after December 31, 2017, in  
21 computing Arizona adjusted gross income, a subtraction is allowed under  
22 section 43-1022, paragraph ~~28~~ 27 for eligible business access expenditures  
23 paid or incurred by the taxpayer during the taxable year in order to  
24 comply with the requirements of the Americans with disabilities act of  
25 1990 (P.L. 101-336) or title 41, chapter 9, article 8 by retrofitting  
26 developed real property that was originally placed in service at least ten  
27 years before the current taxable year.

28 B. For the purposes of this section, eligible business access  
29 expenditures include reasonable and necessary amounts paid or incurred to:

30 1. Remove any barriers that prevent a business from being  
31 accessible to or usable by individuals with disabilities.

32 2. Provide qualified interpreters or other methods of making audio  
33 materials available to hearing-impaired individuals.

34 3. Provide qualified readers, taped texts and other effective  
35 methods of making visually delivered materials available to individuals  
36 with visual impairments.

37 4. Acquire or modify equipment or devices for individuals with  
38 disabilities.

39 5. Provide other similar services, modifications, materials or  
40 equipment.

41 C. A taxpayer who has been cited for noncompliance with the  
42 Americans with disabilities act of 1990 or title 41, chapter 9, article 8  
43 by either federal or state enforcement officials is ineligible for a  
44 subtraction under this section for any expenditure required to cure the  
45 cited violation.

1           Sec. 22. Heading change

2           The article heading of title 43, chapter 10, article 4, Arizona  
3 Revised Statutes, is changed from "DEDUCTIONS AND PERSONAL EXEMPTIONS" to  
4 "DEDUCTIONS".

5           Sec. 23. Section 43-1041, Arizona Revised Statutes, is amended to  
6 read:

7           43-1041. Optional standard deduction

8           A. A taxpayer may elect to take a standard deduction as follows:

9           1. In the case of a single person or a married person filing  
10 separately, the standard deduction ~~shall be four thousand fifty dollars~~ IS  
11 \$12,200, subject to subsection ~~G~~ H of this section.

12           2. IN THE CASE OF A SINGLE PERSON WHO IS A HEAD OF A HOUSEHOLD, THE  
13 STANDARD DEDUCTION IS \$18,350, SUBJECT TO SUBSECTION H OF THIS SECTION.

14           ~~2.~~ 3. In the case of a married couple filing a joint return ~~or a~~  
15 ~~single person who is a head of a household~~, the standard deduction ~~shall~~  
16 ~~be eight thousand one hundred dollars~~ IS \$24,400, subject to subsection  
17 ~~G~~ H of this section.

18           B. The standard deduction provided for in subsection A of this  
19 section ~~shall be~~ IS in lieu of all itemized deductions allowed by section  
20 43-1042, which are to be subtracted from Arizona adjusted gross income in  
21 computing taxable income, ~~but not in lieu of the personal exemption~~  
22 ~~allowed by section 43-1043.~~

23           C. The standard deduction ~~shall be~~ IS allowed if the taxpayer so  
24 elects. The election is made by the taxpayer claiming on the tax return  
25 the amount provided for in this section in lieu of the itemized deductions  
26 allowed under section 43-1042. Electing to file a short form return or a  
27 simplified return that does not allow itemized deductions to be claimed is  
28 considered to be an election to claim the standard deduction.

29           D. In the case of a husband and wife, the standard deduction  
30 provided for in subsection A of this section ~~shall~~ IS not ~~be~~ allowed to  
31 either if the taxable income of one of the spouses is determined without  
32 regard to the standard deduction.

33           E. The standard deduction provided for by subsection A of this  
34 section ~~shall~~ IS not ~~be~~ allowed in the case of a taxable year of less than  
35 twelve months on account of a change in the accounting period.

36           F. Except as provided in subsection G of this section, a change of  
37 an election to take, or not to take, the standard deduction for any  
38 taxable year may be made after the filing of the return for ~~such~~ THAT  
39 year.

40           G. A taxpayer is not allowed to change an election to take, or not  
41 to take, the standard deduction if:

42           1. The spouse of the taxpayer filed a separate return for any  
43 taxable year corresponding, for the purposes of subsection D of this  
44 section, to the taxable year of the taxpayer unless both of the following  
45 apply:

1 (a) The spouse makes a change of election with respect to the  
2 standard deduction for the taxable year covered in the separate return  
3 consistent with the change of election sought by the taxpayer.

4 (b) The taxpayer and spouse consent in writing to the assessment,  
5 within such a period as may be agreed on with the department, of any  
6 deficiency, to the extent attributable to the change of election, even  
7 though at the time of ~~the~~ filing ~~of~~ the consent the assessment of the  
8 deficiency would otherwise be prevented by the operation of any law or  
9 rule of law.

10 2. The tax liability of the taxpayer or the taxpayer's spouse for  
11 the taxable year has been compromised.

12 H. For each taxable year beginning ~~on or~~ FROM AND after ~~January 1~~  
13 ~~DECEMBER 31, 2019~~, the department shall adjust the dollar amounts  
14 prescribed by subsection A, paragraphs 1, ~~and~~ 2 AND 3 of this section  
15 ~~according to the average annual change in the metropolitan Phoenix~~  
16 ~~consumer price index published by the United States bureau of labor~~  
17 ~~statistics. The revised dollar amounts shall be raised to the nearest~~  
18 ~~whole dollar. The designated dollar amounts shall not be revised below~~  
19 ~~the amounts allowed by the standard deduction in the prior taxable year.~~  
20 FOR INFLATION IN THE SAME MANNER IN WHICH THE FEDERAL BASIC STANDARD  
21 DEDUCTION IS ADJUSTED FOR INFLATION PURSUANT TO SECTION 63 OF THE INTERNAL  
22 REVENUE CODE.

23 I. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2018,  
24 THE STANDARD DEDUCTION ALLOWED UNDER SUBSECTION A OF THIS SECTION SHALL BE  
25 INCREASED BY THE AMOUNT EQUAL TO TWENTY-FIVE PERCENT OF THE TOTAL AMOUNT  
26 OF A TAXPAYER'S CHARITABLE DEDUCTIONS THAT WOULD HAVE BEEN ALLOWED IF THE  
27 TAXPAYER ELECTED TO CLAIM ITEMIZED DEDUCTIONS UNDER SECTION 43-1042 RATHER  
28 THAN ELECT THE STANDARD DEDUCTION.

29 Sec. 24. Repeal

30 Section 43-1043, Arizona Revised Statutes, is repealed.

31 Sec. 25. Section 43-1072.02, Arizona Revised Statutes, is amended  
32 to read:

33 43-1072.02. Credit for increased transaction privilege or  
34 excise tax paid for education

35 A. Subject to the conditions prescribed by this section, for  
36 taxable years beginning from and after December 31, 2020 and ending before  
37 January 1, 2042, a credit is allowed against the taxes imposed by this  
38 chapter for a taxable year for a taxpayer who is not claimed as a  
39 dependent by any other taxpayer and whose federal adjusted gross income  
40 is:

- 41 1. ~~Twenty-five thousand dollars~~ \$25,000 or less for a married  
42 couple or a single person who is a head of a household.
- 43 2. ~~Twelve thousand five hundred dollars~~ \$12,500 or less for a  
44 single person or a married person filing separately.

1 B. The credit is considered to be in mitigation of increased tax  
2 rates pursuant to section 42-5010.01 and section 42-5155, subsection E.

3 C. The amount of the credit may not exceed ~~twenty-five dollars~~ \$25  
4 for each person who is a resident of this state and ~~for whom a personal or~~  
5 ~~dependent exemption is allowed with respect to the taxpayer pursuant to~~  
6 ~~section 43-1023, subsection B, paragraph 1 and section 43-1043, but not~~  
7 ~~more than one hundred dollars~~ WHO IS A DEPENDENT AND SHALL NOT EXCEED \$100  
8 for all persons in the taxpayer's household, as defined in section  
9 43-1072.

10 D. If the allowable amount of the credit exceeds the income taxes  
11 otherwise due on the claimant's income, the amount of the claim not used  
12 as an offset against income taxes shall be paid in the same manner as a  
13 refund granted under section 42-1118. Refunds made pursuant to this  
14 subsection are subject to setoff under section 42-1122.

15 E. A person who is sentenced for at least sixty days of the taxable  
16 year to the custody of the federal bureau of prisons, the state department  
17 of corrections or a county jail is not eligible to claim a credit pursuant  
18 to this section.

19 F. The department shall make available suitable forms with  
20 instructions for claimants. Claimants who certify on the prescribed form  
21 that they have no income tax liability for the taxable year and who do not  
22 meet the filing requirements of section 43-301 are not required to file an  
23 individual income tax return. The claim shall be in a form prescribed by  
24 the department.

25 G. A tax return or form prescribed by PURSUANT TO subsection F of  
26 this section must have:

27 1. A social security number that is valid for employment for the  
28 claimant.

29 2. Either a valid social security number or an individual taxpayer  
30 identification number issued by the internal revenue service for the  
31 claimant's spouse and any qualifying children of the claimant.

32 Sec. 26. Section 43-1073, Arizona Revised Statutes, is amended to  
33 read:

34 43-1073. Family income tax credit

35 A. Subject to the conditions prescribed by this section, a credit  
36 is allowed against the taxes imposed by this chapter for a taxable year  
37 for taxpayers whose Arizona adjusted gross income, plus the amount  
38 subtracted for exemptions under section 43-1023, is:

39 1. ~~Twenty thousand dollars~~ \$20,000 or less in the case of a married  
40 couple filing a joint return with ~~no~~ NOT more than one dependent or a  
41 single person who is a head of a household with ~~no~~ NOT more than one  
42 dependent.

43 2. ~~Twenty-three thousand six hundred dollars~~ \$23,600 or less in the  
44 case of a married couple filing a joint return with two dependents.

- 1           3. ~~Twenty-seven thousand three hundred dollars~~ \$27,300 or less in  
2 the case of a married couple filing a joint return with three dependents.  
3           4. ~~Thirty-one thousand dollars~~ \$31,000 or less in the case of a  
4 married couple filing a joint return with four or more dependents.  
5           5. ~~Twenty thousand one hundred thirty-five dollars~~ \$20,135 or less  
6 in the case of a single person who is a head of a household with two  
7 dependents.  
8           6. ~~Twenty-three thousand eight hundred dollars~~ \$23,800 or less in  
9 the case of a single person who is a head of a household with three  
10 dependents.  
11           7. ~~Twenty-five thousand two hundred dollars~~ \$25,200 or less in the  
12 case of a single person who is a head of a household with four dependents.  
13           8. ~~Twenty-six thousand five hundred seventy-five dollars~~ \$26,575 or  
14 less in the case of a single person who is a head of a household with five  
15 or more dependents.  
16           9. ~~Ten thousand dollars~~ \$10,000 or less in the case of a single  
17 person or a married person filing separately.  
18           B. The amount of the credit is equal to ~~forty dollars~~ \$40 for each  
19 person who is a resident of this state and ~~for whom a personal or~~  
20 ~~dependent exemption is allowed with respect to the taxpayer pursuant to~~  
21 ~~section 43-1043 and 43-1023, subsection B, paragraph 1, WHO IS A DEPENDENT~~  
22 but MAY not ~~to~~ exceed:  
23           1. ~~Two hundred forty dollars~~ \$240 in the case of a married couple  
24 filing a joint return or a single person who is a head of a household.  
25           2. ~~One hundred twenty dollars~~ \$120 in the case of a single person  
26 or a married couple filing separately.  
27           3. For any taxpayer, the amount of taxes due under this chapter for  
28 the taxable year.  
29           Sec. 27. Title 43, chapter 10, article 5, Arizona Revised Statutes,  
30 is amended by adding section 43-1073.01, to read:  
31           43-1073.01. Dependent tax credit  
32           A. A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR  
33 A TAXABLE YEAR FOR EACH DEPENDENT OF A TAXPAYER AS PROVIDED BY THIS  
34 SECTION.  
35           B. FOR TAXPAYERS WHOSE FEDERAL ADJUSTED GROSS INCOME IS LESS THAN  
36 \$200,000 FOR A TAXPAYER WHO IS A SINGLE PERSON, A MARRIED PERSON FILING  
37 SEPARATELY OR A HEAD OF HOUSEHOLD OR IS LESS THAN \$400,000 FOR A MARRIED  
38 COUPLE FILING A JOINT RETURN, THE AMOUNT OF THE CREDIT IS:  
39           1. \$100 FOR EACH DEPENDENT WHO IS UNDER SEVENTEEN YEARS OF AGE AT  
40 THE END OF THE TAXABLE YEAR.  
41           2. \$25 FOR EACH DEPENDENT WHO IS AT LEAST SEVENTEEN YEARS OF AGE AT  
42 THE END OF THE TAXABLE YEAR.

1 C. FOR TAXPAYERS WHOSE FEDERAL ADJUSTED GROSS INCOME IS \$200,000 OR  
2 MORE FOR A TAXPAYER WHO IS A SINGLE PERSON, A MARRIED PERSON FILING  
3 SEPARATELY OR A HEAD OF HOUSEHOLD OR IS \$400,000 OR MORE FOR A MARRIED  
4 COUPLE FILING A JOINT RETURN, THE AMOUNT OF THE CREDIT IS:

5 1. \$100 MINUS FIVE PERCENT FOR EACH \$1,000, OR FRACTION THEREOF, BY  
6 WHICH THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME EXCEEDS THE APPLICABLE  
7 THRESHOLD PROVIDED IN THIS SUBSECTION FOR EACH DEPENDENT WHO IS UNDER  
8 SEVENTEEN YEARS OF AGE AT THE END OF THE TAXABLE YEAR.

9 2. \$25 MINUS FIVE PERCENT FOR EACH \$1,000, OR FRACTION THEREOF, BY  
10 WHICH THE TAXPAYER'S FEDERAL ADJUSTED GROSS INCOME EXCEEDS THE APPLICABLE  
11 THRESHOLD PROVIDED IN THIS SUBSECTION FOR EACH DEPENDENT WHO IS AT LEAST  
12 SEVENTEEN YEARS OF AGE AT THE END OF THE TAXABLE YEAR.

13 Sec. 28. Section 43-1095, Arizona Revised Statutes, is amended to  
14 read:

15 43-1095. Apportionment of deductions

16 ~~A. In computing Arizona taxable income a nonresident taxpayer,  
17 except a member of the armed forces, shall be allowed that percentage of  
18 the exemptions set forth in section 43-1043 which the taxpayer's Arizona  
19 gross income is of the federal adjusted gross income.~~

20 ~~B. In the case of COMPUTING ARIZONA TAXABLE INCOME a nonresident  
21 taxpayer, the standard deduction allowed in section 43-1041 and the  
22 itemized deductions allowed in section 43-1042 shall be allowed in the  
23 percentage which THAT the taxpayer's Arizona gross income is of the  
24 federal adjusted gross income.~~

25 Sec. 29. Section 43-1098, Arizona Revised Statutes, is amended to  
26 read:

27 43-1098. Apportionment of exemptions

28 A. Any resident taxpayer, other than an active member of the armed  
29 forces of the United States or any other auxiliary branch, who commences  
30 or terminates his residency in this state during any one taxable year  
31 shall prorate the following EXEMPTIONS PROVIDED IN SECTION 43-1023 FOR  
32 BLIND PERSONS AND FOR PERSONS SIXTY-FIVE YEARS OF AGE OR OLDER on the  
33 basis of the proportion which such THAT THE taxpayer's total Arizona gross  
34 income bears to the federal adjusted gross income. :-

35 ~~1. The personal exemption provided in section 43-1043.~~

36 ~~2. The exemptions provided in section 43-1023 for the blind, for  
37 persons age sixty-five or older and for dependents.~~

38 B. The percentage of THE exemption allowed shall be IS computed by  
39 dividing the taxpayer's Arizona gross income by the federal adjusted gross  
40 income.

41 Sec. 30. Section 43-1121, Arizona Revised Statutes, is amended to  
42 read:

43 43-1121. Additions to Arizona gross income: corporations

44 In computing Arizona taxable income for a corporation, the following  
45 amounts shall be added to Arizona gross income:

- 1           1. The amount of interest income received on obligations of any  
2 state, territory or possession of the United States, or any political  
3 subdivision thereof, located outside this state, reduced, for taxable  
4 years beginning from and after December 31, 1996, by the amount of any  
5 interest on indebtedness and other related expenses that were incurred or  
6 continued to purchase or carry those obligations and that are not  
7 otherwise deducted or subtracted in arriving at Arizona gross income.
- 8           2. The excess of a partner's share of partnership taxable income  
9 required to be included under chapter 14, article 2 of this title over the  
10 income required to be reported under section 702(a)(8) of the internal  
11 revenue code.
- 12           3. The excess of a partner's share of partnership losses determined  
13 pursuant to section 702(a)(8) of the internal revenue code over the losses  
14 allowable under chapter 14, article 2 of this title.
- 15           4. The amount of any depreciation allowance allowed pursuant to  
16 section 167(a) of the internal revenue code to the extent not previously  
17 added.
- 18           5. The amount of discharge of indebtedness income that is deferred  
19 and excluded from the computation of federal taxable income in the current  
20 taxable year pursuant to section 108(i) of the internal revenue code as  
21 added by section 1231 of the American recovery and reinvestment act of  
22 2009 (P.L. 111-5).
- 23           6. The amount of any previously deferred original issue discount  
24 that was deducted in computing federal taxable income in the current year  
25 pursuant to section 108(i) of the internal revenue code as added by  
26 section 1231 of the American recovery and reinvestment act of 2009  
27 (P.L. 111-5), to the extent that the amount was previously subtracted from  
28 Arizona gross income pursuant to section 43-1122, paragraph 6.
- 29           7. The amount of dividend income received from corporations and  
30 allowed as a deduction pursuant to sections 243, ~~and~~ 245, 245A AND  
31 250(a)(1)(B) of the internal revenue code.
- 32           8. Taxes that are based on income paid to states, local governments  
33 or foreign governments and that were deducted in computing federal taxable  
34 income.
- 35           9. Expenses and interest relating to tax-exempt income on  
36 indebtedness incurred or continued to purchase or carry obligations the  
37 interest on which is wholly exempt from the tax imposed by this title.  
38 Financial institutions, as defined in section 6-101, shall be governed by  
39 section 43-961, paragraph 2.
- 40           10. Commissions, rentals and other amounts paid or accrued to a  
41 domestic international sales corporation controlled by the payor  
42 corporation if the domestic international sales corporation is not  
43 required to report its taxable income to this state because its income is  
44 not derived from or attributable to sources within this state. If the  
45 domestic international sales corporation is subject to article 4 of this

1 chapter, the department shall prescribe by rule the method of determining  
2 the portion of the commissions, rentals and other amounts that are paid or  
3 accrued to the controlled domestic international sales corporation and  
4 that shall be deducted by the payor. For the purposes of this paragraph,  
5 "control" means direct or indirect ownership or control of fifty percent  
6 or more of the voting stock of the domestic international sales  
7 corporation by the payor corporation.

8 11. The amount of net operating loss taken pursuant to section 172  
9 of the internal revenue code.

10 12. The amount of exploration expenses determined pursuant to  
11 section 617 of the internal revenue code to the extent that they exceed  
12 ~~seventy-five thousand dollars~~ \$75,000 and to the extent that the election  
13 is made to defer those expenses not in excess of ~~seventy-five thousand~~  
14 ~~dollars~~ \$75,000.

15 13. Amortization of costs incurred to install pollution control  
16 devices and deducted pursuant to the internal revenue code or the amount  
17 of deduction for depreciation taken pursuant to the internal revenue code  
18 on pollution control devices for which an election is made pursuant to  
19 section 43-1129.

20 14. The amount of depreciation or amortization of costs of child  
21 care facilities deducted pursuant to section 167 or 188 of the internal  
22 revenue code for which an election is made to amortize pursuant to section  
23 43-1130.

24 15. The loss of an insurance company that is exempt under section  
25 43-1201 to the extent that it is included in computing Arizona gross  
26 income on a consolidated return pursuant to section 43-947.

27 16. The amount by which the depreciation or amortization computed  
28 under the internal revenue code with respect to property for which a  
29 credit was taken under section 43-1169 exceeds the amount of depreciation  
30 or amortization computed pursuant to the internal revenue code on the  
31 Arizona adjusted basis of the property.

32 17. The amount by which the adjusted basis computed under the  
33 internal revenue code with respect to property for which a credit was  
34 claimed under section 43-1169 and that is sold or otherwise disposed of  
35 during the taxable year exceeds the adjusted basis of the property  
36 computed under section 43-1169.

37 18. The amount by which the depreciation or amortization computed  
38 under the internal revenue code with respect to property for which a  
39 credit was taken under either section 43-1170 or 43-1170.01 exceeds the  
40 amount of depreciation or amortization computed pursuant to the internal  
41 revenue code on the Arizona adjusted basis of the property.

42 19. The amount by which the adjusted basis computed under the  
43 internal revenue code with respect to property for which a credit was  
44 claimed under either section 43-1170 or 43-1170.01 and that is sold or  
45 otherwise disposed of during the taxable year exceeds the adjusted basis



1 of the property computed under section 43-1170 or 43-1170.01, as  
2 applicable.

3 20. The deduction referred to in section 1341(a)(4) of the internal  
4 revenue code for restoration of a substantial amount held under a claim of  
5 right.

6 21. The amount by which a capital loss carryover allowable pursuant  
7 to section 1341(b)(5) of the internal revenue code exceeds the capital  
8 loss carryover allowable pursuant to section 43-1130.01, subsection F.

9 22. Any wage expenses deducted pursuant to the internal revenue code  
10 for which a credit is claimed under section 43-1175 and representing net  
11 increases in qualified employment positions for employment of temporary  
12 assistance for needy families recipients.

13 23. Any amount of expenses that were deducted pursuant to the  
14 internal revenue code and for which a credit is claimed under section  
15 43-1178.

16 24. The amount of any deduction that is claimed in computing Arizona  
17 gross income and that represents a donation of a school site for which a  
18 credit is claimed under section 43-1181.

19 25. Any amount deducted pursuant to section 170 of the internal  
20 revenue code representing contributions to a school tuition organization  
21 for which a credit is claimed under section 43-1183 or 43-1184.

22 26. If a subtraction is or has been taken by the taxpayer under  
23 section 43-1124, in the current or a prior taxable year for the full  
24 amount of eligible access expenditures paid or incurred to comply with the  
25 requirements of the Americans with disabilities act of 1990 (P.L. 101-336)  
26 or title 41, chapter 9, article 8, any amount of eligible access  
27 expenditures that is recognized under the internal revenue code, including  
28 any amount that is amortized according to federal amortization schedules,  
29 and that is included in computing Arizona taxable income for the current  
30 taxable year.

31 27. For taxable years beginning from and after December 31, 2017,  
32 the amount of any net capital loss included in Arizona gross income for  
33 the taxable year that is derived from the exchange of one kind of legal  
34 tender for another kind of legal tender. For the purposes of this  
35 paragraph:

36 (a) "Legal tender" means a medium of exchange, including specie,  
37 that is authorized by the United States Constitution or Congress ~~for the~~  
38 ~~payment of~~ TO PAY debts, public charges, taxes and dues.

39 (b) "Specie" means coins having precious metal content.

40 Sec. 31. Section 43-1122, Arizona Revised Statutes, is amended to  
41 read:

42 43-1122. Subtractions from Arizona gross income; corporations

43 In computing Arizona taxable income for a corporation, the following  
44 amounts shall be subtracted from Arizona gross income:

1           1. The excess of a partner's share of income required to be  
2 included under section 702(a)(8) of the internal revenue code over the  
3 income required to be included under chapter 14, article 2 of this title.

4           2. The excess of a partner's share of partnership losses determined  
5 pursuant to chapter 14, article 2 of this title over the losses allowable  
6 under section 702(a)(8) of the internal revenue code.

7           3. The amount allowed by section 43-1025 for contributions during  
8 the taxable year of agricultural crops to charitable organizations.

9           4. The portion of any wages or salaries paid or incurred by the  
10 taxpayer for the taxable year that is equal to the amount of the federal  
11 work opportunity credit, the empowerment zone employment credit, the  
12 credit for employer paid social security taxes on employee cash tips and  
13 the Indian employment credit that the taxpayer received under sections  
14 45A, 45B, 51(a) and 1396 of the internal revenue code.

15           5. With respect to property that is sold or otherwise disposed of  
16 during the taxable year by a taxpayer that complied with section 43-1121,  
17 paragraph 4 with respect to that property, the amount of depreciation that  
18 has been allowed pursuant to section 167(a) of the internal revenue code  
19 to the extent that the amount has not already reduced Arizona taxable  
20 income in the current taxable year or prior taxable years.

21           6. The amount of any original issue discount that was deferred and  
22 not allowed to be deducted in computing federal taxable income in the  
23 current taxable year pursuant to section 108(i) of the internal revenue  
24 code as added by section 1231 of the American recovery and reinvestment  
25 act of 2009 (P.L. 111-5).

26           7. The amount of previously deferred discharge of indebtedness  
27 income that is included in the computation of federal taxable income in  
28 the current taxable year pursuant to section 108(i) of the internal  
29 revenue code as added by section 1231 of the American recovery and  
30 reinvestment act of 2009 (P.L. 111-5), to the extent that the amount was  
31 previously added to Arizona gross income pursuant to section 43-1121,  
32 paragraph 5.

33           8. With respect to a financial institution as defined in section  
34 6-101, expenses and interest relating to tax-exempt income disallowed  
35 pursuant to section 265 of the internal revenue code.

36           9. Dividends received from another corporation owned or controlled  
37 directly or indirectly by a recipient corporation. For the purposes of  
38 this paragraph, "control" means direct or indirect ownership or control of  
39 fifty percent or more of the voting stock of the payor corporation by the  
40 recipient corporation. Dividends shall have the meaning provided in  
41 section 316 of the internal revenue code. This subtraction shall apply  
42 without regard to section 43-961, paragraph 2 and article 4 of this  
43 chapter.

- 1           10. Interest income received on obligations of the United States.
- 2           11. The amount of dividend income from foreign corporations. FOR
- 3 THE PURPOSES OF THIS PARAGRAPH, GROSS UP INCOME AS DESCRIBED IN SECTION 78
- 4 OF THE INTERNAL REVENUE CODE, GLOBAL INTANGIBLE LOW-TAXED INCOME AS
- 5 DEFINED IN SECTION 951A OF THE INTERNAL REVENUE CODE AND SUBPART F INCOME
- 6 AS DEFINED IN SECTION 952 OF THE INTERNAL REVENUE CODE SHALL BE CONSIDERED
- 7 FOREIGN DIVIDENDS.
- 8           12. The amount of net operating loss allowed by section 43-1123.
- 9           13. The amount of any state income tax refunds received that were
- 10 included as income in computing federal taxable income.
- 11           14. The amount of expense recapture included in income pursuant to
- 12 section 617 of the internal revenue code for mine exploration expenses.
- 13           15. The amount of deferred exploration expenses allowed by section
- 14 43-1127.
- 15           16. The amount of exploration expenses related to the exploration
- 16 of oil, gas or geothermal resources, computed in the same manner and on
- 17 the same basis as a deduction for mine exploration pursuant to section 617
- 18 of the internal revenue code. This computation is subject to the
- 19 adjustments contained in section 43-1121, paragraph 12 and paragraphs 14
- 20 and 15 of this section relating to exploration expenses.
- 21           17. The amortization of pollution control devices allowed by
- 22 section 43-1129.
- 23           18. The amount of amortization of the cost of child care facilities
- 24 pursuant to section 43-1130.
- 25           19. The amount of income from a domestic international sales
- 26 corporation required to be included in the income of its shareholders
- 27 pursuant to section 995 of the internal revenue code.
- 28           20. The income of an insurance company that is exempt under section
- 29 43-1201 to the extent that it is included in computing Arizona gross
- 30 income on a consolidated return pursuant to section 43-947.
- 31           21. The amount by which a capital loss carryover allowable pursuant
- 32 to section 43-1130.01, subsection F exceeds the capital loss carryover
- 33 allowable pursuant to section 1341(b)(5) of the internal revenue code.
- 34           22. An amount equal to the depreciation allowable pursuant to
- 35 section 167(a) of the internal revenue code for the taxable year computed
- 36 as if the election described in section 168(k)(7) of the internal revenue
- 37 code had been made for each applicable class of property in the year the
- 38 property was placed in service.
- 39           23. The amount of eligible access expenditures paid or incurred
- 40 during the taxable year to comply with the requirements of the Americans
- 41 with disabilities act of 1990 (P.L. 101-336) or title 41, chapter 9,
- 42 article 8 as provided by section 43-1124.

1           24. For taxable years beginning from and after December 31, 2017,  
2 the amount of any net capital gain included in Arizona gross income for  
3 the taxable year that is derived from the exchange of one kind of legal  
4 tender for another kind of legal tender. For the purposes of this  
5 paragraph:

6           (a) "Legal tender" means a medium of exchange, including specie,  
7 that is authorized by the United States Constitution or Congress ~~for the~~  
8 ~~payment of~~ TO PAY debts, public charges, taxes and dues.

9           (b) "Specie" means coins having precious metal content.

10          Sec. 32. Exemption from rulemaking

11          For the purposes of this act, the department of revenue is exempt  
12 from the rulemaking requirements of title 41, chapter 6, Arizona Revised  
13 Statutes, for one year after the effective date of this act.

14          Sec. 33. Legislative intent

15          The legislature intends:

16           1. To conform to South Dakota v. Wayfair, Inc., \_\_\_ U.S. \_\_\_, 138  
17 S. Ct. 2080 (2018), in which the United States Supreme Court overturned  
18 the physical presence rule of Quill Corp. v. North Dakota, 504 U.S. 298  
19 (1992). Although a physical presence can still trigger a tax collection  
20 obligation, the Court held in Wayfair that an economic presence can create  
21 a sufficient basis for taxation. The legislature finds and declares that  
22 this act provides for the adoption of provisions on economic nexus, safe  
23 harbor and undue burden. To ensure that there is not an undue burden on  
24 the public, taxation related to retail sales shall be solely contained  
25 within section 42-5061, Arizona Revised Statutes, as amended by this act.

26           2. That further statutory changes will not occur for a period of  
27 five years from the effective date of this act for further codification in  
28 statute of the model city tax code for classifications of tax other than  
29 retail. This initial period will also provide municipalities and the  
30 department of revenue with stability to adapt to and implement the new  
31 regulatory structure created by this act.

32          Sec. 34. Purpose

33          Pursuant to section 43-233, Arizona Revised Statutes, the  
34 legislature enacts section 43-1073.01, Arizona Revised Statutes, as added  
35 by this act, to mitigate the costs incurred by taxpayers who care for  
36 dependents.

37          Sec. 35. Applicability

38          For the purposes of the following sections, the tax reporting and  
39 payment requirements imposed by this act apply prospectively and the  
40 following sections apply to taxable periods beginning from and after  
41 September 30, 2019:

42           1. Sections 42-5001, 42-5005, 42-5159 and 42-6002, Arizona Revised  
43 Statutes, as amended by this act.

44           2. Section 42-5061, Arizona Revised Statutes, as amended by Laws  
45 2018, chapter 104, section 15, chapter 249, section 1 and this act.

1           3. Section 42-5061, Arizona Revised Statutes, as amended by Laws  
2 2018, chapter 104, section 15, chapter 249, section 1, chapter 263,  
3 section 1 and this act.

4           4. Sections 9-491.02, 42-5042, 42-5043 and 42-6017, Arizona Revised  
5 Statutes, as added by this act.

6           Sec. 36. Retroactivity

7           A. Sections 42-1001 and 43-105, Arizona Revised Statutes, as  
8 amended by this act, apply retroactively to taxable years beginning from  
9 and after December 31, 2017.

10          B. Sections 42-1108, 43-222, 43-323, 43-945, 43-1001, 43-1011,  
11 43-1021, 43-1022, 43-1023, 43-1024, 43-1041, 43-1072.02, 43-1073, 43-1095,  
12 43-1098, 43-1121 and 43-1122, Arizona Revised Statutes, as amended by this  
13 act, section 43-1073.01, Arizona Revised Statutes, as added by this act,  
14 and section 43-1043, Arizona Revised Statutes, as repealed by this act,  
15 apply retroactively to taxable years beginning from and after December 31,  
16 2018.

17          Sec. 37. Conditional enactment

18          Section 42-5061, Arizona Revised Statutes, as amended by Laws 2018,  
19 chapter 104, section 15, chapter 249, section 1 and chapter 263, section 1  
20 and this act, becomes effective on the date prescribed by Laws 2018,  
21 chapter 263, section 5 but only on the occurrence of the condition  
22 prescribed by Laws 2018, chapter 263, section 5.