

State of Arizona
Senate
Fifty-fifth Legislature
First Regular Session
2021

CHAPTER 412

SENATE BILL 1828

AN ACT

AMENDING SECTIONS 15-972, 23-622, 23-771, 23-779 AND 23-780, ARIZONA REVISED STATUTES; AMENDING TITLE 23, CHAPTER 4, ARTICLE 7, ARIZONA REVISED STATUTES, BY ADDING SECTION 23-799.01; AMENDING SECTION 42-5061, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2019, CHAPTER 273, SECTION 7 AND CHAPTER 288, SECTION 1; AMENDING SECTION 42-5061, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2019, CHAPTER 273, SECTION 8 AND CHAPTER 288, SECTION 2; AMENDING SECTIONS 42-5159, 42-15001, 43-206 AND 43-222, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 2, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-243; AMENDING SECTIONS 43-581, 43-1011, 43-1022 AND 43-1041, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 10, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1076.01; AMENDING SECTIONS 43-1089.01 AND 43-1122, ARIZONA REVISED STATUTES; AMENDING TITLE 43, CHAPTER 11, ARTICLE 6, ARIZONA REVISED STATUTES, BY ADDING SECTION 43-1162; AMENDING SECTIONS 43-1184, 43-1504, 43-1603 AND 48-807, ARIZONA REVISED STATUTES; APPROPRIATING MONIES; 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. Section 15-972, Arizona Revised Statutes, is amended to
3 read:

4 15-972. State limitation on homeowner property taxes;
5 additional state aid to school districts;
6 definitions

7 A. Notwithstanding section 15-971, there shall be additional state
8 aid for education computed for school districts as provided in subsection
9 B of this section.

10 B. The clerk of the board of supervisors shall compute such
11 additional state aid for education as follows:

12 1. For a high school district or for a common school district
13 within a high school district that does not offer instruction in high
14 school subjects as provided in section 15-447:

15 (a) Determine the qualifying tax rate pursuant to section 41-1276
16 for the school district.

17 (b) Determine ~~47.19 percent~~ THE FOLLOWING PERCENTAGE of the
18 qualifying tax rate determined in subdivision (a) of this paragraph: ~~—~~

19 (i) 47.19 PERCENT THROUGH DECEMBER 31, 2021.

20 (ii) FIFTY PERCENT BEGINNING FROM AND AFTER DECEMBER 31, 2021.

21 (c) Select the lesser of the amount determined in subdivision (b)
22 of this paragraph or ~~47.19~~ FIFTY percent of the primary property tax rate
23 that would be levied in lieu of this section for the district.

24 (d) Multiply the rate selected in subdivision (c) of this paragraph
25 as a rate per \$100 assessed valuation by the assessed valuation used for
26 primary property taxes of the residential property in the school district.

27 2. For a unified school district, for a common school district not
28 within a high school district or for a common school district that offers
29 instruction in high school subjects as provided in section 15-447:

30 (a) Determine the qualifying tax rate pursuant to section 41-1276
31 for the school district.

32 (b) Determine ~~47.19 percent~~ THE FOLLOWING PERCENTAGE of the
33 qualifying tax rate determined in subdivision (a) of this paragraph: ~~—~~

34 (i) 47.19 PERCENT THROUGH DECEMBER 31, 2021.

35 (ii) FIFTY PERCENT BEGINNING FROM AND AFTER DECEMBER 31, 2021.

36 (c) Select the lesser of the amount determined in subdivision (b)
37 of this paragraph or ~~47.19~~ FIFTY percent of the primary property tax rate
38 that would be levied in lieu of this section for the district.

39 (d) Multiply the rate selected in subdivision (c) of this paragraph
40 as a rate per \$100 assessed valuation by the assessed valuation used for
41 primary property taxes of the residential property in the district.

42 C. The clerk of the board of supervisors shall report to the
43 department of revenue not later than the Friday following the third Monday
44 in August of each year the amount by school district of additional state
45 aid for education and the data used for computing the amount as provided

1 in subsection B of this section. The department of revenue shall verify
2 all of the amounts and report to the county board of supervisors not later
3 than August 30 of each year the property tax rate or rates that shall be
4 used for property tax reduction as provided in subsection E of this
5 section.

6 D. The board of supervisors shall reduce the property tax rate or
7 rates that would be levied in lieu of this section by the school district
8 or districts on the assessed valuation used for primary property taxes of
9 the residential property in the school district or districts by the rate
10 or rates selected in subsection B, paragraph 1, subdivision (c) and
11 paragraph 2, subdivision (c) of this section. The excess of the reduction
12 in property taxes for a parcel of property resulting from the reduction in
13 the property tax rate pursuant to this subsection over the amounts listed
14 in this subsection shall be deducted from the amount of additional state
15 aid for education. The reduction in property taxes on a parcel of
16 property resulting from the reduction in the property tax rate pursuant to
17 this subsection shall not exceed \$600, except as provided in subsection I
18 of this section.

19 E. Before levying taxes for school purposes, the board of
20 supervisors shall determine whether the total primary property taxes to be
21 levied for all taxing jurisdictions on each parcel of residential
22 property, in lieu of this subsection, violate article IX, section 18,
23 Constitution of Arizona. For those properties that qualify for property
24 tax exemptions pursuant to article IX, sections 2, 2.1 and 2.2,
25 Constitution of Arizona, eligibility for the credit is determined on the
26 basis of the limited property value that corresponds to the taxable
27 assessed value after reduction for the applicable exemption. If the board
28 of supervisors determines that such a situation exists, the board shall
29 apply a credit against the primary property taxes due from each such
30 parcel in the amount in excess of article IX, section 18, Constitution of
31 Arizona. Such excess amounts shall also be additional state aid for
32 education for the school district or districts in which the parcel of
33 property is located.

34 F. The clerk of the board of supervisors shall report to the
35 department of revenue not later than September 5 of each year the amount
36 by school district of additional state aid for education and the data used
37 for computing the amount as provided in subsection B of this section. The
38 department of revenue shall verify all of the amounts and report to the
39 board of supervisors not later than September 10 of each year the property
40 tax rate that shall be used for property tax reduction as provided in
41 subsection E of this section.

42 G. The clerk of the board of supervisors shall report to the
43 department of revenue not later than September 30 of each year in writing
44 the following:

1 1. The data processing specifications used in the calculations
2 provided for in subsections B and E of this section.

3 2. At a minimum, copies of two actual tax bills for residential
4 property for each distinct tax area.

5 H. The department of revenue shall report to the state board of
6 education not later than October 12 of each year the amount by school
7 district of additional state aid for education as provided in this
8 section. The additional state aid for education provided in this section
9 shall be apportioned as provided in section 15-973.

10 I. If a parcel of property is owned by a cooperative apartment
11 corporation or is owned by the tenants of a cooperative apartment
12 corporation as tenants in common, the reduction in the property taxes
13 prescribed in subsection D of this section shall not exceed the amounts
14 listed in subsection D of this section for each owner-occupied housing
15 unit on the property. The assessed value used for determining the
16 reduction in taxes for the property is equal to the total assessed value
17 of the property times the ratio of the number of owner-occupied housing
18 units to the total number of housing units on the property. For the
19 purposes of this subsection, "cooperative apartment corporation" means a
20 corporation:

21 1. Having only one class of outstanding stock.

22 2. Of which all of the stockholders are entitled, solely by reason
23 of their ownership of stock in the corporation, to occupy for dwelling
24 purposes apartments in a building owned or leased by the corporation and
25 that are not entitled, either conditionally or unconditionally, except on
26 a complete or partial liquidation of the corporation, to receive any
27 distribution not out of earnings and profits of the corporation.

28 3. Of which eighty percent or more of the gross income is derived
29 from tenant-stockholders. For the purposes of this paragraph, "gross
30 income" means gross income as defined by the United States internal
31 revenue code, as defined in section 43-105.

32 J. The total amount of state monies that may be spent in any fiscal
33 year for state aid for education in this section shall not exceed the
34 amount appropriated or authorized by section 35-173 for that purpose.
35 This section does not impose a duty on an officer, agent or employee of
36 this state to discharge a responsibility or create any right in a person
37 or group if the discharge or right would require an expenditure of state
38 monies in excess of the expenditure authorized by legislative
39 appropriation for that specific purpose.

40 K. Notwithstanding subsection E of this section, the maximum amount
41 of additional state aid for education that will be funded by this state
42 pursuant to subsection E of this section shall be \$1,000,000 per county.
43 For any county with a school district or districts that collectively would
44 otherwise receive more than \$1,000,000 in additional state aid for
45 education pursuant to subsection E of this section, the property tax

1 oversight commission established by section 42-17002 shall determine the
2 proportion of the violation of article IX, section 18, Constitution of
3 Arizona, that is attributable to each taxing jurisdiction within the
4 affected school district or districts. Based on those proportions, the
5 property tax oversight commission shall determine an amount that each
6 taxing jurisdiction within the affected school district or districts shall
7 transfer to the affected school district or districts during the fiscal
8 year in order to compensate the affected school district or districts for
9 its pro rata share of the reduction in additional state aid for education
10 funding required by this subsection. In determining the proportion of the
11 violation of article IX, section 18, Constitution of Arizona, that is
12 attributable to each taxing jurisdiction within the affected school
13 district or districts, the property tax oversight commission shall assume
14 a proportion of zero for any taxing jurisdiction that has a tax rate for
15 the fiscal year that is equal to or less than the tax rate of peer
16 jurisdictions, as determined by the property tax oversight commission.

17 L. For the purposes of this section:

18 1. "Owner" includes any purchaser under a contract of sale or under
19 a deed of trust.

20 2. "Residential property" includes owner-occupied real property and
21 improvements to the property and owner-occupied mobile homes that are used
22 as the owner's primary residence and classified as class three property
23 pursuant to section 42-12003.

24 Sec. 2. Section 23-622, Arizona Revised Statutes, is amended to
25 read:

26 23-622. Wages

27 A. "Wages" means all remuneration for services from whatever
28 source, including commissions, bonuses and fringe benefits and the cash
29 value of all remuneration in any medium other than cash. The reasonable
30 cash value of remuneration in any medium other than cash shall be
31 estimated and determined in accordance with rules prescribed by the
32 department.

33 B. ~~Wages shall~~ DO not include:

34 1. For the purpose of sections 23-604, 23-726, ~~AND 23-728 and~~
35 ~~23-730.01~~, that part of the remuneration, ~~(other than remuneration~~
36 ~~referred to in succeeding paragraphs 3 THROUGH 16 of this subsection,)~~ in
37 excess of: ~~seven thousand dollars~~

38 (a) \$7,000 paid in 1983 or in a calendar year thereafter THROUGH
39 DECEMBER 31, 2022 to an individual by an employer or ~~his~~ THE EMPLOYER'S
40 predecessor with respect to employment during the calendar year, unless
41 that part of ~~the above specified~~ THE excess remuneration is subject to a
42 tax, under federal law, against which credit may be taken for
43 contributions required to be paid into a state unemployment fund by
44 employers subject to the federal law.

1 (b) \$8,000 PAID IN THE 2023 CALENDAR YEAR OR IN A CALENDAR YEAR
2 THEREAFTER TO AN INDIVIDUAL BY AN EMPLOYER OR THE EMPLOYER'S PREDECESSOR
3 WITH RESPECT TO EMPLOYMENT DURING THE CALENDAR YEAR, UNLESS THAT PART OF
4 THE EXCESS REMUNERATION IS SUBJECT TO A TAX, UNDER FEDERAL LAW, AGAINST
5 WHICH CREDIT MAY BE TAKEN FOR CONTRIBUTIONS REQUIRED TO BE PAID INTO A
6 STATE UNEMPLOYMENT FUND BY EMPLOYERS SUBJECT TO THE FEDERAL LAW.

7 2. For the purposes of ~~this~~ paragraph 1 OF THIS SUBSECTION, the
8 remuneration paid to an individual by an employer with respect to
9 employment in another state or states, ~~upon~~ ON which contributions were
10 required of and paid by such employer under an unemployment compensation
11 law of such other state or states, shall be included as part of
12 remuneration equal to the ~~above-specified~~ amounts PRESCRIBED IN PARAGRAPH
13 1 OF THIS SUBSECTION.

14 ~~2.~~ 3. The amount of any payment, including monies paid by an
15 employer for insurance or annuities or into a fund to provide payments for
16 insurance or annuities, made to or on behalf of an employee or any of ~~his~~
17 THE EMPLOYEE'S dependents under a plan or system established by an
18 employer ~~which~~ THAT makes provision for ~~his~~ THE EMPLOYER'S employees
19 generally, for ~~his~~ THE EMPLOYER'S employees generally and their
20 dependents, for a class of ~~his~~ THE EMPLOYER'S employees or for a class of
21 ~~his~~ THE EMPLOYER'S employees and their dependents, on account of any of
22 the following:

23 (a) Sickness or accident disability, except that in the case of
24 payments made to an employee or any of ~~his~~ THE EMPLOYEE'S dependents, this
25 subdivision excludes from wages only payments ~~which~~ THAT are received
26 under a workers' compensation law.

27 (b) Medical or hospitalization expenses in connection with sickness
28 or accident disability.

29 (c) Death.

30 ~~3.~~ 4. The payment by an employer, without deduction from the
31 remuneration of the employee, of the tax imposed ~~upon~~ ON an employee under
32 section 3101 of the internal revenue code relating to federal insurance
33 contributions with respect to remuneration paid to an employee for
34 domestic service in a private home or for agricultural labor.

35 ~~4.~~ 5. Any payment on account of sickness or accident disability,
36 or medical or hospitalization expenses in connection with sickness or
37 accident disability, made by an employing unit to, or on behalf of, an
38 employee after the expiration of six calendar months following the last
39 calendar month in which the employee worked for such employing unit.

40 ~~5.~~ 6. Any payment made to, or on behalf of, an employee or ~~his~~ THE
41 EMPLOYEE'S beneficiary:

42 (a) From or to a trust described in section 401(a) of the internal
43 revenue code relating to qualified pension, profit sharing and stock bonus
44 plans ~~which~~ THAT is exempt from tax under section 501(a) of the internal
45 revenue code at the time of the payment unless the payment is made to an

1 employee of the trust as remuneration for services rendered as an employee
2 and not as a beneficiary of the trust.

3 (b) Under or to an annuity plan ~~which~~ THAT, at the time of such
4 payment, is a plan described in section 403(a) of the internal revenue
5 code relating to taxability of beneficiaries under qualified annuity
6 plans.

7 (c) Under a simplified employee pension as defined in section
8 408(k)(1) of the internal revenue code other than contributions described
9 in section 408(k)(6) of the internal revenue code relating to employee
10 salary reduction arrangements.

11 (d) Under or to an annuity contract described in section 403(b) of
12 the internal revenue code relating to taxation of beneficiaries under
13 annuities purchased by certain tax exempt organizations, other than a
14 payment for the purchase of the contract ~~which~~ THAT is made by reason of a
15 salary reduction agreement whether evidenced by a written instrument or
16 otherwise.

17 (e) Under or to an exempt governmental deferred compensation plan
18 as defined in section 3121(v)(3) of the internal revenue code.

19 (f) To supplement pension benefits under a plan or trust described
20 in this paragraph to take into account some portion or all of the increase
21 in the cost of living since retirement as determined by the United States
22 secretary of labor, but only if the supplemental payments are under a plan
23 ~~which~~ THAT is treated as a welfare plan under section 3(2)(b)(ii) of the
24 employee retirement income security act of 1974.

25 (g) Under a cafeteria plan within the meaning of section 125 of the
26 internal revenue code if such payment would not be treated as wages
27 without regard to such plan and it is reasonable to believe that, if
28 section 125 of the internal revenue code applied for purposes of this
29 section, section 125 of the internal revenue code would not treat any
30 wages as constructively received.

31 ~~6.~~ 7. Remuneration paid in any medium other than cash to an
32 employee for service not in the course of the employing unit's trade or
33 business.

34 ~~7.~~ 8. Remuneration paid for agricultural labor performed in any
35 medium other than cash.

36 ~~8.~~ 9. Any tip, gratuity or service charge received by an employee
37 except:

38 (a) Before January 1, 1986, if either of the following applies:

39 (i) It is specified and collected by the employing unit.

40 (ii) It is used by the employing unit in order to conform to the
41 minimum wage requirements of federal or state law.

42 (b) From and after December 31, 1985, if it is reported by the
43 employee in writing to the employer on or before the tenth day of the
44 month following the month in which it was received.

1 ~~9.~~ 10. Remuneration ~~which~~ THAT the individual receives for drill,
2 training or other national guard or reserve activity ~~which~~ THAT occurs on
3 not more than one weekend per month or in lieu of a weekend drill or the
4 equivalent.

5 ~~10.~~ 11. Remuneration paid to or on behalf of an employee if and to
6 the extent that at the time of the payment of the remuneration it is
7 reasonable to believe that a corresponding deduction is allowable under
8 section 217 of the internal revenue code relating to moving expenses
9 determined without regard to section 274(n) of the internal revenue code
10 relating to the disallowance of certain meal and entertainment expenses.

11 ~~11.~~ 12. Any contribution, payment or service provided by an
12 employer ~~which~~ THAT may be excluded from the gross income of any employee,
13 ~~his~~ THE EMPLOYEE'S spouse or ~~his~~ THE EMPLOYEE'S dependents under the
14 provisions of section 120 of the internal revenue code relating to amounts
15 received under qualified group legal services plans.

16 ~~12.~~ 13. Any payment made or benefit furnished to or for the
17 benefit of an employee if at the time of the payment or furnishing it is
18 reasonable to believe that the employee will be able to exclude the
19 payment or benefit from income under section 127, relating to educational
20 assistance, or section 129, relating to dependent care assistance, of the
21 internal revenue code.

22 ~~13.~~ 14. The value of any meals or lodging furnished by or on
23 behalf of the employer if at the time of the furnishing it is reasonable
24 to believe that the employee will be able to exclude these items from
25 income under section 119 of the internal revenue code.

26 ~~14.~~ 15. Any payment made by an employer to a survivor or the
27 estate of a former employee after the calendar year in which the employee
28 died.

29 ~~15.~~ 16. Any benefit provided to or on behalf of an employee if at
30 the time the benefit is provided it is reasonable to believe that the
31 employee will be able to exclude the benefit from income under section
32 74(c) relating to employee achievement awards, section 117 relating to
33 qualified scholarships or section 132 relating to certain fringe benefits
34 of the internal revenue code.

35 C. Subsection B, paragraphs ~~2- 3~~ through ~~15~~ 16 of this section do
36 not exclude from wages any of the following:

37 1. An employer contribution under a qualified cash or deferred
38 arrangement as defined in section 401(k) of the internal revenue code to
39 the extent the contribution is not included in gross income pursuant to
40 section 402(a)(8) of the internal revenue code relating to cash or
41 deferred arrangements.

42 2. An amount treated as an employer contribution under section
43 414(h)(2) of the internal revenue code, relating to tax treatment of
44 contributions by government units, if the employer picks up the

1 contribution pursuant to a written or unwritten salary reduction
2 agreement.

3 3. An amount deferred under any plan or other arrangement for
4 deferral of compensation other than a plan described in subsection B,
5 paragraph ~~5- 6~~ of this section. An amount considered as wages pursuant to
6 this paragraph shall be taxed only once and after being taxed shall not be
7 considered wages for the purposes of this chapter.

8 D. In applying ~~the provisions of~~ subsection B of this section, any
9 remuneration excluded from the definition of wages under 26 United States
10 Code section 3306(b) shall not be wages.

11 Sec. 3. Section 23-771, Arizona Revised Statutes, is amended to
12 read:

13 23-771. Eligibility for benefits

14 A. An unemployed individual is eligible to receive benefits with
15 respect to any week only if the department finds that the individual:

16 1. Has registered for work at and thereafter has continued to
17 report at an employment office in accordance with the regulations
18 prescribed by the department.

19 2. Has made a claim for benefits in accordance with section 23-772.

20 3. Is able to work.

21 4. Except for an individual who is applying for shared work
22 benefits pursuant to article 5.1 of this chapter, is available for work
23 and both of the following apply:

24 (a) The individual has engaged in a systematic and sustained effort
25 to obtain work during at least four days of the week.

26 (b) The individual has made at least one job contact per day on
27 four different days of the week.

28 5. Has been unemployed for a waiting period of one week. A week is
29 not counted as a week of unemployment for the purpose of this paragraph:

30 (a) Unless it occurs within the benefit year that includes the week
31 with respect to which the individual claims payment of benefits.

32 (b) Unless the individual was eligible for benefits with respect
33 ~~thereto~~ TO THE WEEK as provided in this section and sections 23-775,
34 23-776 and 23-777.

35 (c) If benefits have been paid in respect ~~thereto~~ TO THE WEEK.

36 6. Has met one of the following requirements:

37 (a) Has been paid wages for insured work during the individual's
38 base period equal to at least one and one-half times the wages paid to the
39 individual in the calendar quarter of the individual's base period in
40 which the wages were highest, and the individual has been paid wages for
41 insured work in one calendar quarter of the individual's base period equal
42 to an amount that is equal to at least three hundred ninety times the
43 minimum wage prescribed by section 23-363 that is in effect when the
44 individual files a claim for benefits.

1 (b) Has for a benefit year beginning on or after September 2, 1984,
2 been paid wages for insured work during at least two quarters of the
3 individual's base period and the amount of the wages paid in one quarter
4 would be sufficient to qualify the individual for the maximum weekly
5 benefit amount payable under this chapter and the total of the
6 individual's base-period wages is equal to or greater than the taxable
7 limit as specified in section 23-622, subsection B, ~~paragraph~~ PARAGRAPHS 1
8 AND 2.

9 7. Following the beginning date of a benefit year established under
10 this chapter or the unemployment compensation law of any other state and
11 before the effective date of a subsequent benefit year under this chapter,
12 has performed services whether or not in employment as defined in section
13 23-615 for which wages were payable in an amount equal to or in excess of
14 eight times the weekly benefit amount for which the individual is
15 otherwise qualified under section 23-779. In making a determination under
16 this paragraph the department shall use information available in its
17 records or require the individual to furnish necessary information within
18 thirty days after the date notice is given that the information is
19 required.

20 B. If an unemployed individual cannot establish a benefit year as
21 defined in section 23-609 due to receipt during the base period of
22 compensation for a temporary total disability pursuant to chapter 6 of
23 this title, or any similar federal law, the individual's base period shall
24 be the first four of the last five completed calendar quarters immediately
25 preceding the first day of the calendar week in which the disability
26 began. Wages previously used to establish a benefit year may not be
27 reused. This subsection does not apply unless all of the following occur:

28 1. The individual has filed a claim for benefits not later than the
29 fourth calendar week of unemployment after the end of the period of
30 disability.

31 2. The claim is filed within two years after the period of
32 disability begins.

33 3. The individual meets the requirements of subsection A of this
34 section.

35 4. The individual has attempted to return to the employment where
36 the temporary total disability occurred.

37 C. If an unemployed individual is a member of the national guard or
38 other reserve component of the United States armed forces, the individual
39 is not considered to be either employed or unavailable for work by reason
40 of the individual's participation in drill, training or other national
41 guard or reserve activity that occurs on not more than one weekend per
42 month or in lieu of a weekend drill or the equivalent.

43 D. The department shall not disqualify an individual from receiving
44 benefits under this chapter on the basis of the individual's separation
45 from employment if the individual is a victim of domestic violence and

1 leaves employment due to a documented case involving domestic violence
2 pursuant to section 13-3601 or 13-3601.02. Benefits paid to an individual
3 pursuant to this subsection shall not be charged against an employer's
4 account pursuant to section 23-727, subsection G.

5 E. For the purposes of subsection A, paragraph 6 of this section,
6 wages shall be counted as ~~“wages for insured work”~~ for benefit purposes
7 with respect to any benefit year only if that benefit year begins
8 subsequent to the date on which the employing unit by which those wages
9 were paid has become an employer subject to this chapter.

10 Sec. 4. Section 23-779, Arizona Revised Statutes, is amended to
11 read:

12 23-779. Amount of benefits

13 A. The weekly benefit amount of an individual shall be an amount
14 equal to ~~one twenty-fifth~~ 1/25 of the person's total wages for insured
15 work paid during that quarter of the person's base period in which such
16 total wages were highest, but if:

17 ~~1. From and after June 30, 1999 and before July 1, 2004, this~~
18 ~~amount is more than two hundred five dollars, the weekly benefit amount~~
19 ~~shall be two hundred five dollars.~~

20 ~~2. 1. From and after June 30, 2004 AND BEFORE JULY 1, 2022, this~~
21 ~~amount is more than two hundred forty dollars \$240, the weekly benefit~~
22 ~~amount shall be two hundred forty dollars \$240.~~

23 2. FROM AND AFTER JUNE 30, 2022, THIS AMOUNT IS MORE THAN \$320, THE
24 WEEKLY BENEFIT AMOUNT SHALL BE \$320.

25 B. If the weekly benefit amount is less than the maximum weekly
26 benefit prescribed in subsection A OF THIS SECTION and is not a multiple
27 of ~~one dollar~~ \$1, the amount shall be rounded to the nearest dollar, with
28 an even one-half dollar being rounded to the next higher multiple of ~~one~~
29 ~~dollar~~ \$1. An individual's benefit amount shall not be redetermined
30 during the person's benefit year because of a new maximum or minimum
31 weekly benefit amount becoming effective during the person's benefit year.

32 C. Each eligible individual WHO IS unemployed with respect to any
33 week shall be paid with respect to that week a benefit in an amount equal
34 to the ~~person's~~ INDIVIDUAL'S weekly benefit amount less that part of the
35 wages, if any, payable to the ~~person~~ INDIVIDUAL with respect to that week
36 ~~which~~ THAT is in excess of ~~thirty dollars~~ \$30 THROUGH JUNE 30, 2022 AND
37 FROM AND AFTER JUNE 30, 2022 THAT IS IN EXCESS OF \$160. The benefit, if
38 not a multiple of ~~one dollar~~ \$1, shall be rounded to the nearest dollar,
39 with an even one-half dollar being rounded to the next higher multiple of
40 ~~one dollar~~ \$1.

41 Sec. 5. Section 23-780, Arizona Revised Statutes, is amended to
42 read:

43 23-780. Duration and amount of benefits; definition

44 A. An otherwise eligible individual ~~shall be~~ IS entitled during a
45 benefit year to a total amount of benefits equal to:

1 1. Twenty-six times ~~his~~ THE INDIVIDUAL'S weekly benefit amount, ~~but~~
2 ~~shall~~ IF THE UNEMPLOYMENT RATE IN THE PRIOR CALENDAR QUARTER IS FIVE
3 PERCENT OR MORE.

4 2. TWENTY-FOUR TIMES THE INDIVIDUAL'S WEEKLY BENEFIT AMOUNT IF THE
5 UNEMPLOYMENT RATE IN THE PRIOR CALENDAR QUARTER IS LESS THAN FIVE PERCENT.

6 B. NOTWITHSTANDING SUBSECTION A OF THIS SECTION, AN INDIVIDUAL MAY
7 not receive more than ~~one-third~~ ONE-THIRD of ~~his~~ THE INDIVIDUAL'S base
8 period earnings in ~~such~~ A benefit year.

9 C. FOR THE PURPOSES OF THIS SECTION, "UNEMPLOYMENT RATE IN THE
10 PRIOR CALENDAR QUARTER" MEANS THE AVERAGE OF THE SEASONALLY ADJUSTED
11 UNEMPLOYMENT RATES FOR THE THREE MONTHS OF THE MOST RECENTLY PUBLISHED
12 CALENDAR YEAR QUARTER AS PUBLISHED BY THE OFFICE OF ECONOMIC OPPORTUNITY.

13 Sec. 6. Title 23, chapter 4, article 7, Arizona Revised Statutes,
14 is amended by adding section 23-799.01, to read:

15 23-799.01. Fraud prevention; report

16 A. TO ENSURE PROGRAM INTEGRITY, THE DEPARTMENT SHALL:

17 1. OBTAIN CURRENT AND ACTUAL EMPLOYMENT AND EARNED INCOME
18 INFORMATION IN REAL TIME VIA VERIFICATION SERVICES FROM EXTERNAL DATA
19 SOURCES, INCLUDING THIRD-PARTY VENDORS, AS PART OF THE DEPARTMENT'S
20 EMPLOYMENT AND EARNED INCOME VERIFICATION PROCESS TO ACCURATELY DETERMINE
21 AN INDIVIDUAL'S ELIGIBILITY FOR UNEMPLOYMENT BENEFITS.

22 2. VERIFY THE IDENTITY OF AN INDIVIDUAL BY INCORPORATING AN
23 IDENTITY VERIFICATION PROCESS THAT MAY INCLUDE DIGITAL OR PHYSICAL
24 IDENTITY AUTHENTICATION FACTORS, OR BOTH, USING EXTERNAL DATA SOURCES,
25 INCLUDING THIRD-PARTY VENDORS.

26 3. MINIMIZE ERRONEOUS COMMUNICATIONS TO EMPLOYERS GENERATED FROM
27 FRAUDULENT CLAIM APPLICATIONS.

28 B. ON OR BEFORE DECEMBER 31 OF EACH YEAR, THE DEPARTMENT SHALL
29 SUBMIT TO THE GOVERNOR, THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE
30 HOUSE OF REPRESENTATIVES, AND SHALL PROVIDE A COPY TO THE SECRETARY OF
31 STATE, A REPORT THAT CONTAINS DETAILS ON UNEMPLOYMENT INSURANCE FRAUD FOR
32 THE PREVIOUS FISCAL YEAR, INCLUDING ALL OF THE FOLLOWING:

33 1. THE NUMBER OF FRAUDULENT CLAIMS.

34 2. THE TOTAL AMOUNT OF MONIES PAID IN FRAUDULENT CLAIMS.

35 3. THE IMPACT OF FRAUD ON EMPLOYER CONTRIBUTION RATES AND
36 EXPERIENCE RATINGS.

37 Sec. 7. Section 42-5061, Arizona Revised Statutes, as amended by
38 Laws 2019, chapter 273, section 7 and chapter 288, section 1, is amended
39 to read:

40 42-5061. Retail classification; definitions

41 A. The retail classification is comprised of the business of
42 selling tangible personal property at retail. The tax base for the retail
43 classification is the gross proceeds of sales or gross income derived from
44 the business. The tax imposed on the retail classification does not apply
45 to the gross proceeds of sales or gross income from:

- 1 1. Professional or personal service occupations or businesses that
2 involve sales or transfers of tangible personal property only as
3 inconsequential elements.
- 4 2. Services rendered in addition to selling tangible personal
5 property at retail.
- 6 3. Sales of warranty or service contracts. The storage, use or
7 consumption of tangible personal property provided under the conditions of
8 such contracts is subject to tax under section 42-5156.
- 9 4. Sales of tangible personal property by any nonprofit
10 organization organized and operated exclusively for charitable purposes
11 and recognized by the United States internal revenue service under section
12 501(c)(3) of the internal revenue code.
- 13 5. Sales to persons engaged in business classified under the
14 restaurant classification of articles used by human beings for food, drink
15 or condiment, whether simple, mixed or compounded.
- 16 6. Business activity that is properly included in any other
17 business classification that is taxable under this article.
- 18 7. The sale of stocks and bonds.
- 19 8. Drugs and medical oxygen, including delivery hose, mask or tent,
20 regulator and tank, on the prescription of a member of the medical, dental
21 or veterinarian profession who is licensed by law to administer such
22 substances.
- 23 9. Prosthetic appliances as defined in section 23-501 and as
24 prescribed or recommended by a health professional who is licensed
25 pursuant to title 32, chapter 7, 8, 11, 13, 14, 15, 16, 17 or 29.
- 26 10. Insulin, insulin syringes and glucose test strips.
- 27 11. Prescription eyeglasses or contact lenses.
- 28 12. Hearing aids as defined in section 36-1901.
- 29 13. Durable medical equipment that has a centers for medicare and
30 medicaid services common procedure code, is designated reimbursable by
31 medicare, is prescribed by a person who is licensed under title 32,
32 chapter 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is
33 primarily and customarily used to serve a medical purpose, is generally
34 not useful to a person in the absence of illness or injury and is
35 appropriate for use in the home.
- 36 14. Sales of motor vehicles to nonresidents of this state for use
37 outside this state if the motor vehicle dealer ships or delivers the motor
38 vehicle to a destination out of this state.
- 39 15. Food, as provided in and subject to the conditions of article 3
40 of this chapter and sections 42-5074 and 42-6017.
- 41 16. Items purchased with United States department of agriculture
42 coupons issued under the supplemental nutrition assistance program
43 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;
44 7 United States Code sections 2011 through 2036b) by the United States
45 department of agriculture food and nutrition service or food instruments

1 issued under section 17 of the child nutrition act (P.L. 95-627;
2 92 Stat. 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States
3 Code section 1786).

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

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

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

15 20. Lottery tickets or shares pursuant to title 5, chapter 5.1,
16 article 1.

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

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

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

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

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

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

1 22. Motor vehicle fuel and use fuel that are subject to a tax
2 imposed under title 28, chapter 16, article 1, sales of use fuel to a
3 holder of a valid single trip use fuel tax permit issued under section
4 28-5739, sales of aviation fuel that are subject to the tax imposed under
5 section 28-8344 and sales of jet fuel that are subject to the tax imposed
6 under article 8 of this chapter.

7 23. Tangible personal property sold to a person engaged in the
8 business of leasing or renting such property under the personal property
9 rental classification if such property is to be leased or rented by such
10 person.

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

14 25. Tangible personal property sold to:

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

16 (b) A qualifying health care organization as defined in section
17 42-5001 if the tangible personal property is used by the organization
18 solely to provide health and medical related educational and charitable
19 services.

20 (c) A qualifying health care organization as defined in section
21 42-5001 if the organization is dedicated to providing educational,
22 therapeutic, rehabilitative and family medical education training for
23 blind and visually impaired children and children with multiple
24 disabilities from the time of birth to age twenty-one.

25 (d) A qualifying community health center as defined in section
26 42-5001.

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

30 (f) For taxable periods beginning from and after June 30, 2001, a
31 nonprofit charitable organization that has qualified under section
32 501(c)(3) of the internal revenue code and that provides residential
33 apartment housing for low income persons over sixty-two years of age in a
34 facility that qualifies for a federal housing subsidy, if the tangible
35 personal property is used by the organization solely to provide
36 residential apartment housing for low income persons over sixty-two years
37 of age in a facility that qualifies for a federal housing subsidy.

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

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

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

1 27. Tangible personal property sold to:

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

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

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

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

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

19 28. The sale of a motor vehicle to:

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

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

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

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

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

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

12 33. Sales of propagative materials to persons who use those items
13 to commercially produce agricultural, horticultural, viticultural or
14 floricultural crops in this state. For the purposes of this paragraph,
15 "propagative materials":

16 (a) Includes seeds, seedlings, roots, bulbs, liners, transplants,
17 cuttings, soil and plant additives, agricultural minerals, auxiliary soil
18 and plant substances, micronutrients, fertilizers, insecticides,
19 herbicides, fungicides, soil fumigants, desiccants, rodenticides,
20 adjuvants, plant nutrients and plant growth regulators.

21 (b) Except for use in commercially producing industrial hemp as
22 defined in section 3-311, does not include any propagative materials used
23 in producing any part, including seeds, of any plant of the genus
24 cannabis.

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

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

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

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

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

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

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

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

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

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

37 42. Sales of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

22 61. Sales of tangible personal property by a marketplace seller
23 that are facilitated by a marketplace facilitator in which the marketplace
24 facilitator has remitted or will remit the applicable tax to the
25 department pursuant to section 42-5014.

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

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

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

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

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

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

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

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

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

21 (a) A person:

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

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

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

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

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

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

4 (b) Any foreign government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38 (b) Machinery or equipment purchased to replace machinery or
39 equipment for which an exemption was previously claimed and taken under
40 this paragraph.

41 (c) Any machinery or equipment purchased after the television
42 station has ceased analog broadcasting, or purchased after November 1,
43 2009, whichever occurs first.

44 21. Qualifying equipment that is purchased from and after June 30,
45 2004 through June 30, 2024 by a qualified business under section 41-1516

1 for harvesting or processing qualifying forest products removed from
2 qualifying projects as defined in section 41-1516. To qualify for this
3 deduction, the qualified business at the time of purchase must present its
4 certification approved by the department.

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

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

11 2. Janitorial equipment and hand tools.

12 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

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

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

43 G. If a person is engaged in the business of selling tangible
44 personal property at both wholesale and retail, the tax under this section
45 applies only to the gross proceeds of the sales made other than at

1 wholesale if the person's books are kept so as to show separately the
2 gross proceeds of sales of each class, and if the books are not so kept,
3 the tax under this section applies to the gross proceeds of every sale so
4 made.

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

12 1. Agricultural producers who are owners, proprietors or tenants of
13 agricultural lands, orchards, farms or gardens where agricultural products
14 are grown, raised or prepared for market and who are marketing their own
15 agricultural products.

16 2. Businesses classified under the:

17 (a) Transporting classification.

18 (b) Utilities classification.

19 (c) Telecommunications classification.

20 (d) Pipeline classification.

21 (e) Private car line classification.

22 (f) Publication classification.

23 (g) Job printing classification.

24 (h) Prime contracting classification.

25 (i) Restaurant classification.

26 I. The gross proceeds of sales or gross income derived from the
27 following shall be deducted from the tax base for the retail
28 classification:

29 1. Sales made directly to the United States government or its
30 departments or agencies by a manufacturer, modifier, assembler or
31 repairer.

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

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

42 4. Sales of overhead materials or other tangible personal property
43 to a manufacturer, modifier, assembler or repairer if the gross proceeds
44 of sales or gross income derived from the property by the manufacturer,

1 modifier, assembler or repairer will be exempt under paragraph 3 of this
2 subsection.

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

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

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

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

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

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

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

30 O. For the purposes of this section, a sale of wireless
31 telecommunications equipment to a person who holds the equipment for sale
32 or transfer to a customer as an inducement to enter into or continue a
33 contract for telecommunications services that are taxable under section
34 42-5064 is considered to be a sale for resale in the regular course of
35 business.

36 P. Retail sales of prepaid calling cards or prepaid authorization
37 numbers for telecommunications services, including sales of
38 reauthorization of a prepaid card or authorization number, are subject to
39 tax under this section.

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

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

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

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

8 1. The transfer of title or possession of the coal is for the
9 purpose of refining the coal.

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

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

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

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

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

40 U. In computing the tax base for the sale of a motor vehicle to a
41 nonresident of this state, if the purchaser's state of residence allows a
42 corresponding use tax exemption to the tax imposed by article 1 of this
43 chapter and the rate of the tax in the purchaser's state of residence is
44 lower than the rate prescribed in article 1 of this chapter or if the
45 purchaser's state of residence does not impose an excise tax, and the

1 nonresident has secured a special ninety day nonresident registration
2 permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01,
3 there shall be deducted from the tax base a portion of the gross proceeds
4 or gross income from the sale so that the amount of transaction privilege
5 tax that is paid in this state is equal to the excise tax that is imposed
6 by the purchaser's state of residence on the nonexempt sale or use of the
7 motor vehicle.

8 V. For the purposes of this section:

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

12 2. "Aircraft" includes:

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

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

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

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

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

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

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

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

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

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

3 6. "Subcontract" means an agreement between a contractor and any
4 person who is not an employee of the contractor for furnishing of supplies
5 or services that, in whole or in part, are necessary to the performance of
6 one or more government contracts, or under which any portion of the
7 contractor's obligation under one or more government contracts is
8 performed, undertaken or assumed and that includes provisions causing
9 title to overhead materials or other tangible personal property used in
10 the performance of the subcontract to pass to the government or that
11 includes provisions incorporating such title passing clauses in a
12 government contract into the subcontract.

13 Sec. 8. Section 42-5061, Arizona Revised Statutes, as amended by
14 Laws 2019, chapter 273, section 8 and chapter 288, section 2, is amended
15 to read:

16 42-5061. Retail classification; definitions

17 A. The retail classification is comprised of the business of
18 selling tangible personal property at retail. The tax base for the retail
19 classification is the gross proceeds of sales or gross income derived from
20 the business. The tax imposed on the retail classification does not apply
21 to the gross proceeds of sales or gross income from:

22 1. Professional or personal service occupations or businesses that
23 involve sales or transfers of tangible personal property only as
24 inconsequential elements.

25 2. Services rendered in addition to selling tangible personal
26 property at retail.

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

30 4. Sales of tangible personal property by any nonprofit
31 organization organized and operated exclusively for charitable purposes
32 and recognized by the United States internal revenue service under section
33 501(c)(3) of the internal revenue code.

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

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

39 7. The sale of stocks and bonds.

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

- 1 9. Prosthetic appliances as defined in section 23-501 and as
2 prescribed or recommended by a health professional who is licensed
3 pursuant to title 32, chapter 7, 8, 11, 13, 14, 15, 16, 17 or 29.
- 4 10. Insulin, insulin syringes and glucose test strips.
- 5 11. Prescription eyeglasses or contact lenses.
- 6 12. Hearing aids as defined in section 36-1901.
- 7 13. Durable medical equipment that has a centers for medicare and
8 medicaid services common procedure code, is designated reimbursable by
9 medicare, is prescribed by a person who is licensed under title 32,
10 chapter 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is
11 primarily and customarily used to serve a medical purpose, is generally
12 not useful to a person in the absence of illness or injury and is
13 appropriate for use in the home.
- 14 14. Sales of motor vehicles to nonresidents of this state for use
15 outside this state if the motor vehicle dealer ships or delivers the motor
16 vehicle to a destination out of this state.
- 17 15. Food, as provided in and subject to the conditions of article 3
18 of this chapter and sections 42-5074 and 42-6017.
- 19 16. Items purchased with United States department of agriculture
20 coupons issued under the supplemental nutrition assistance program
21 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;
22 7 United States Code sections 2011 through 2036b) by the United States
23 department of agriculture food and nutrition service or food instruments
24 issued under section 17 of the child nutrition act (P.L. 95-627; 92 Stat.
25 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States Code
26 section 1786).
- 27 17. Textbooks by any bookstore that are required by any state
28 university or community college.
- 29 18. Food and drink to a person that is engaged in a business that
30 is classified under the restaurant classification and that provides such
31 food and drink without monetary charge to its employees for their own
32 consumption on the premises during the employees' hours of employment.
- 33 19. Articles of food, drink or condiment and accessory tangible
34 personal property to a school district or charter school if such articles
35 and accessory tangible personal property are to be prepared and served to
36 persons for consumption on the premises of a public school within the
37 district or on the premises of the charter school during school hours.
- 38 20. Lottery tickets or shares pursuant to title 5, chapter 5.1,
39 article 1.
- 40 21. The sale of cash equivalents and the sale of precious metal
41 bullion and monetized bullion to the ultimate consumer, but the sale of
42 coins or other forms of money for manufacture into jewelry or works of art
43 is subject to the tax and the gross proceeds of sales or gross income
44 derived from the redemption of any cash equivalent by the holder as a

1 means of payment for goods or services that are taxable under this article
2 is subject to the tax. For the purposes of this paragraph:

3 (a) "Cash equivalents" means items or intangibles, whether or not
4 negotiable, that are sold to one or more persons, through which a value
5 denominated in money is purchased in advance and may be redeemed in full
6 or in part for tangible personal property, intangibles or services. Cash
7 equivalents include gift cards, stored value cards, gift certificates,
8 vouchers, traveler's checks, money orders or other instruments, orders or
9 electronic mechanisms, such as an electronic code, personal identification
10 number or digital payment mechanism, or any other prepaid intangible right
11 to acquire tangible personal property, intangibles or services in the
12 future, whether from the seller of the cash equivalent or from another
13 person. Cash equivalents do not include either of the following:

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

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

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

31 23. Tangible personal property sold to a person engaged in the
32 business of leasing or renting such property under the personal property
33 rental classification if such property is to be leased or rented by such
34 person.

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

38 25. Tangible personal property sold to:

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

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

44 (c) A qualifying health care organization as defined in section
45 42-5001 if the organization is dedicated to providing educational,

1 therapeutic, rehabilitative and family medical education training for
2 blind and visually impaired children and children with multiple
3 disabilities from the time of birth to age twenty-one.

4 (d) A qualifying community health center as defined in section
5 42-5001.

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

9 (f) For taxable periods beginning from and after June 30, 2001, a
10 nonprofit charitable organization that has qualified under section
11 501(c)(3) of the internal revenue code and that provides residential
12 apartment housing for low income persons over sixty-two years of age in a
13 facility that qualifies for a federal housing subsidy, if the tangible
14 personal property is used by the organization solely to provide
15 residential apartment housing for low income persons over sixty-two years
16 of age in a facility that qualifies for a federal housing subsidy.

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

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

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

25 27. Tangible personal property sold to:

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

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

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

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

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

43 28. The sale of a motor vehicle to:

44 (a) A nonresident of this state if the purchaser's state of
45 residence does not allow a corresponding use tax exemption to the tax

1 imposed by article 1 of this chapter and if the nonresident has secured a
2 special ninety day nonresident registration permit for the vehicle as
3 prescribed by sections 28-2154 and 28-2154.01.

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

6 29. Tangible personal property purchased in this state by a
7 nonprofit charitable organization that has qualified under section
8 501(c)(3) of the United States internal revenue code and that engages in
9 and uses such property exclusively in programs for persons with mental or
10 physical disabilities if the programs are exclusively for training, job
11 placement, rehabilitation or testing.

12 30. Sales of tangible personal property by a nonprofit organization
13 that is exempt from taxation under section 501(c)(3), 501(c)(4) or
14 501(c)(6) of the internal revenue code if the organization is associated
15 with a major league baseball team or a national touring professional
16 golfing association and no part of the organization's net earnings inures
17 to the benefit of any private shareholder or individual. This paragraph
18 does not apply to an organization that is owned, managed or controlled, in
19 whole or in part, by a major league baseball team, or its owners,
20 officers, employees or agents, or by a major league baseball association
21 or professional golfing association, or its owners, officers, employees or
22 agents, unless the organization conducted or operated exhibition events in
23 this state before January 1, 2018 that were exempt from taxation under
24 section 42-5073.

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

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

36 33. Sales of propagative materials to persons who use those items
37 to commercially produce agricultural, horticultural, viticultural or
38 floricultural crops in this state. For the purposes of this paragraph,
39 "propagative materials":

40 (a) Includes seeds, seedlings, roots, bulbs, liners, transplants,
41 cuttings, soil and plant additives, agricultural minerals, auxiliary soil
42 and plant substances, micronutrients, fertilizers, insecticides,
43 herbicides, fungicides, soil fumigants, desiccants, rodenticides,
44 adjuvants, plant nutrients and plant growth regulators.

45 (b) Except for use in commercially producing industrial hemp as

1 defined in section 3-311, does not include any propagative materials used
2 in producing any part, including seeds, of any plant of the genus
3 cannabis.

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

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

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

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

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

38 39. Through December 31, 1994, personal property liquidation
39 transactions, conducted by a personal property liquidator. From and after
40 December 31, 1994, personal property liquidation transactions shall be
41 taxable under this section provided that nothing in this subsection shall
42 be construed to authorize the taxation of casual activities or
43 transactions under this chapter. For the purposes of this paragraph:

44 (a) "Personal property liquidation transaction" means a sale of
45 personal property made by a personal property liquidator acting solely on

1 behalf of the owner of the personal property sold at the dwelling of the
2 owner or on the death of any owner, on behalf of the surviving spouse, if
3 any, any devisee or heir or the personal representative of the estate of
4 the deceased, if one has been appointed.

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

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

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

16 42. Sales of:

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

19 (b) Livestock and poultry feed, salts, vitamins and other additives
20 for livestock or poultry consumption that are sold to persons for use or
21 consumption by their own livestock or poultry, for use or consumption in
22 the businesses of farming, ranching and producing or feeding livestock,
23 poultry, or livestock or poultry products or for use or consumption in
24 noncommercial boarding of livestock. For the purposes of this paragraph,
25 "poultry" includes ratites.

26 43. Sales of implants used as growth promotants and injectable
27 medicines, not already exempt under paragraph 8 of this subsection, for
28 livestock or poultry owned by or in possession of persons who are engaged
29 in producing livestock, poultry, or livestock or poultry products or who
30 are engaged in feeding livestock or poultry commercially. For the
31 purposes of this paragraph, "poultry" includes ratites.

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

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

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

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

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

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

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

15 49. Sales of alternative fuel vehicles if the vehicle was
16 manufactured as a diesel fuel vehicle and converted to operate on
17 alternative fuel and equipment that is installed in a conventional diesel
18 fuel motor vehicle to convert the vehicle to operate on an alternative
19 fuel, as defined in section 1-215.

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

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

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

31 53. 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 54. Sales of motor vehicle fuel and use fuel to a qualified
41 business under section 41-1516 for off-road use in harvesting, processing
42 or transporting qualifying forest products removed from qualifying
43 projects as defined in section 41-1516.

44 55. Sales of 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 56. Sales or other transfers of renewable energy credits or any
4 other unit created to track energy derived from renewable energy
5 resources. For the purposes of this paragraph, "renewable energy credit"
6 means a unit created administratively by the corporation commission or
7 governing body of a public power utility to track kilowatt hours of
8 electricity derived from a renewable energy resource or the kilowatt hour
9 equivalent of conventional energy resources displaced by distributed
10 renewable energy resources.

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

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

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

27 (a) "Affiliated Indian" means an individual Native American Indian
28 who is duly registered on the tribal rolls of the Indian tribe for whose
29 benefit the Indian reservation was established.

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

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

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

43 61. Sales of coal.

44 62. Sales of tangible personal property by a marketplace seller
45 that are facilitated by a marketplace facilitator in which the marketplace

1 facilitator has remitted or will remit the applicable tax to the
2 department pursuant to section 42-5014.

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

7 1. Machinery, or equipment, used directly in manufacturing,
8 processing, fabricating, job printing, refining or metallurgical
9 operations. The terms "manufacturing", "processing", "fabricating", "job
10 printing", "refining" and "metallurgical" as used in this paragraph refer
11 to and include those operations commonly understood within their ordinary
12 meaning. "Metallurgical operations" includes leaching, milling,
13 precipitating, smelting and refining.

14 2. Mining machinery, or equipment, used directly in the process of
15 extracting ores or minerals from the earth for commercial purposes,
16 including equipment required to prepare the materials for extraction and
17 handling, loading or transporting such extracted material to the
18 surface. "Mining" includes underground, surface and open pit operations
19 for extracting ores and minerals.

20 3. Tangible personal property sold to persons engaged in business
21 classified under the telecommunications classification, including a person
22 representing or working on behalf of such a person in a manner described
23 in section 42-5075, subsection 0, and consisting of central office
24 switching equipment, switchboards, private branch exchange equipment,
25 microwave radio equipment and carrier equipment including optical fiber,
26 coaxial cable and other transmission media that are components of carrier
27 systems.

28 4. Machinery, equipment or transmission lines used directly in
29 producing or transmitting electrical power, but not including
30 distribution. Transformers and control equipment used at transmission
31 substation sites constitute equipment used in producing or transmitting
32 electrical power.

33 5. Neat animals, horses, asses, sheep, ratites, swine or goats used
34 or to be used as breeding or production stock, including sales of
35 breedings or ownership shares in such animals used for breeding or
36 production.

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

41 7. Aircraft, navigational and communication instruments and other
42 accessories and related equipment sold to:

43 (a) A person:

44 (i) Holding, or exempted by federal law from obtaining, a federal
45 certificate of public convenience and necessity for use as, in conjunction

1 with or becoming part of an aircraft to be used to transport persons for
2 hire in intrastate, interstate or foreign commerce.

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

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

12 (iv) Operating an aircraft to transport persons in any manner for
13 compensation or hire, or for use in a fractional ownership program that
14 meets the requirements of federal aviation administration regulations
15 (14 Code of Federal Regulations part 91, subpart K), including as an air
16 carrier, a foreign air carrier or a commercial operator or under a
17 restricted category, within the meaning of 14 Code of Federal Regulations,
18 regardless of whether the operation or aircraft is regulated or certified
19 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code
20 of Federal Regulations.

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

26 (b) Any foreign government.

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

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

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

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

43 11. Buses or other urban mass transit vehicles that are used
44 directly to transport persons or property for hire or pursuant to a
45 governmentally adopted and controlled urban mass transportation program

1 and that are sold to bus companies holding a federal certificate of
2 convenience and necessity or operated by any city, town or other
3 governmental entity or by any person contracting with such governmental
4 entity as part of a governmentally adopted and controlled program to
5 provide urban mass transportation.

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

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

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

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

20 14. Machinery or equipment used in research and development. For
21 the purposes of this paragraph, "research and development" means basic and
22 applied research in the sciences and engineering, and designing,
23 developing or testing prototypes, processes or new products, including
24 research and development of computer software that is embedded in or an
25 integral part of the prototype or new product or that is required for
26 machinery or equipment otherwise exempt under this section to function
27 effectively. Research and development do not include manufacturing
28 quality control, routine consumer product testing, market research, sales
29 promotion, sales service, research in social sciences or psychology,
30 computer software research that is not included in the definition of
31 research and development, or other nontechnological activities or
32 technical services.

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

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

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

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

1 (ii) Over two-thirds of the transmissions, measured in megabytes,
2 transmitted by or on behalf of those direct broadcast television or data
3 transmission services during the test period were transmitted by the
4 facility to or on behalf of those services. For the purposes of
5 subdivision (b) of this paragraph, "test period" means the three hundred
6 sixty-five day period beginning on the later of the date on which the
7 tangible personal property is purchased or the date on which the direct
8 broadcast satellite television or data transmission service first
9 transmits information to its customers.

10 16. Clean rooms that are used for manufacturing, processing,
11 fabrication or research and development, as defined in paragraph 14 of
12 this subsection, of semiconductor products. For the purposes of this
13 paragraph, "clean room" means all property that comprises or creates an
14 environment where humidity, temperature, particulate matter and
15 contamination are precisely controlled within specified parameters,
16 without regard to whether the property is actually contained within that
17 environment or whether any of the property is affixed to or incorporated
18 into real property. Clean room:

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

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

27 17. Machinery and equipment used directly in the feeding of
28 poultry, the environmental control of housing for poultry, the movement of
29 eggs within a production and packaging facility or the sorting or cooling
30 of eggs. This exemption does not apply to vehicles used for transporting
31 eggs.

32 18. Machinery or equipment, including related structural components
33 AND CONTAINMENT STRUCTURES, that is employed in connection with
34 manufacturing, processing, fabricating, job printing, refining, mining,
35 natural gas pipelines, metallurgical operations, telecommunications,
36 producing or transmitting electricity or research and development and that
37 is used directly to meet or exceed rules or regulations adopted by the
38 federal energy regulatory commission, the United States environmental
39 protection agency, the United States nuclear regulatory commission, the
40 Arizona department of environmental quality or a political subdivision of
41 this state to prevent, monitor, control or reduce land, water or air
42 pollution.

43 19. Machinery and equipment that are sold to a person engaged in
44 the commercial production of livestock, livestock products or
45 agricultural, horticultural, viticultural or floricultural crops or

1 products in this state, including a person representing or working on
2 behalf of such a person in a manner described in section 42-5075,
3 subsection 0, if the machinery and equipment are used directly and
4 primarily to prevent, monitor, control or reduce air, water or land
5 pollution.

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

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

15 (b) Machinery or equipment purchased to replace machinery or
16 equipment for which an exemption was previously claimed and taken under
17 this paragraph.

18 (c) Any machinery or equipment purchased after the television
19 station has ceased analog broadcasting, or purchased after November 1,
20 2009, whichever occurs first.

21 21. Qualifying equipment that is purchased from and after June 30,
22 2004 through June 30, 2024 by a qualified business under section 41-1516
23 for harvesting or processing qualifying forest products removed from
24 qualifying projects as defined in section 41-1516. To qualify for this
25 deduction, the qualified business at the time of purchase must present its
26 certification approved by the department.

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

29 1. Expendable materials. For the purposes of this paragraph,
30 expendable materials do not include any of the categories of tangible
31 personal property specified in subsection B of this section regardless of
32 the cost or useful life of that property.

33 2. Janitorial equipment and hand tools.

34 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

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

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

21 G. If a person is engaged in the business of selling tangible
22 personal property at both wholesale and retail, the tax under this section
23 applies only to the gross proceeds of the sales made other than at
24 wholesale if the person's books are kept so as to show separately the
25 gross proceeds of sales of each class, and if the books are not so kept,
26 the tax under this section applies to the gross proceeds of every sale so
27 made.

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

35 1. Agricultural producers who are owners, proprietors or tenants of
36 agricultural lands, orchards, farms or gardens where agricultural products
37 are grown, raised or prepared for market and who are marketing their own
38 agricultural products.

39 2. Businesses classified under the:

40 (a) Transporting classification.

41 (b) Utilities classification.

42 (c) Telecommunications classification.

43 (d) Pipeline classification.

44 (e) Private car line classification.

45 (f) Publication classification.

1 (g) Job printing classification.

2 (h) Prime contracting classification.

3 (i) Restaurant classification.

4 I. The gross proceeds of sales or gross income derived from the
5 following shall be deducted from the tax base for the retail
6 classification:

7 1. Sales made directly to the United States government or its
8 departments or agencies by a manufacturer, modifier, assembler or
9 repairer.

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

14 3. Overhead materials or other tangible personal property that is
15 used in performing a contract between the United States government and a
16 manufacturer, modifier, assembler or repairer, including property used in
17 performing a subcontract with a government contractor who is a
18 manufacturer, modifier, assembler or repairer, to which title passes to
19 the government under the terms of the contract or subcontract.

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

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

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

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

36 1. A manufacturer's cash rebate on the sales price of a motor
37 vehicle if the buyer assigns the buyer's right in the rebate to the
38 retailer.

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

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

1 N. In computing the tax base in the case of the sale or transfer of
2 wireless telecommunications equipment as an inducement to a customer to
3 enter into or continue a contract for telecommunications services that are
4 taxable under section 42-5064, gross proceeds of sales or gross income
5 does not include any sales commissions or other compensation received by
6 the retailer as a result of the customer entering into or continuing a
7 contract for the telecommunications services.

8 O. For the purposes of this section, a sale of wireless
9 telecommunications equipment to a person who holds the equipment for sale
10 or transfer to a customer as an inducement to enter into or continue a
11 contract for telecommunications services that are taxable under section
12 42-5064 is considered to be a sale for resale in the regular course of
13 business.

14 P. Retail sales of prepaid calling cards or prepaid authorization
15 numbers for telecommunications services, including sales of
16 reauthorization of a prepaid card or authorization number, are subject to
17 tax under this section.

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

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

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

26 R. If a seller is entitled to a deduction pursuant to subsection B,
27 paragraph 15, subdivision (b) of this section, the department may require
28 the purchaser to establish that the requirements of subsection B,
29 paragraph 15, subdivision (b) of this section have been satisfied. If the
30 purchaser cannot establish that the requirements of subsection B,
31 paragraph 15, subdivision (b) of this section have been satisfied, the
32 purchaser is liable in an amount equal to any tax, penalty and interest
33 that the seller would have been required to pay under article 1 of this
34 chapter if the seller had not made a deduction pursuant to subsection B,
35 paragraph 15, subdivision (b) of this section. Payment of the amount
36 under this subsection exempts the purchaser from liability for any tax
37 imposed under article 4 of this chapter and related to the tangible
38 personal property purchased. The amount shall be treated as transaction
39 privilege tax to the purchaser and as tax revenues collected from the
40 seller to designate the distribution base pursuant to section 42-5029.

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

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

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

7 T. In computing the tax base for the sale of a motor vehicle to a
8 nonresident of this state, if the purchaser's state of residence allows a
9 corresponding use tax exemption to the tax imposed by article 1 of this
10 chapter and the rate of the tax in the purchaser's state of residence is
11 lower than the rate prescribed in article 1 of this chapter or if the
12 purchaser's state of residence does not impose an excise tax, and the
13 nonresident has secured a special ninety day nonresident registration
14 permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01,
15 there shall be deducted from the tax base a portion of the gross proceeds
16 or gross income from the sale so that the amount of transaction privilege
17 tax that is paid in this state is equal to the excise tax that is imposed
18 by the purchaser's state of residence on the nonexempt sale or use of the
19 motor vehicle.

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

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

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

44 2. "Manufacturer" means a person who is principally engaged in the
45 fabrication, production or manufacture of products, wares or articles for

1 use from raw or prepared materials, imparting to those materials new
2 forms, qualities, properties and combinations.

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

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

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

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

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

26 42-5159. Exemptions

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

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

33 2. Tangible personal property, the sale or use of which has already
34 been subjected to an excise tax at a rate equal to or exceeding the tax
35 imposed by this article under the laws of another state of the United
36 States. If the excise tax imposed by the other state is at a rate less
37 than the tax imposed by this article, the tax imposed by this article is
38 reduced by the amount of the tax already imposed by the other state.

39 3. Tangible personal property, the storage, use or consumption of
40 which the constitution or laws of the United States prohibit this state
41 from taxing or to the extent that the rate or imposition of tax is
42 unconstitutional under the laws of the United States.

43 4. Tangible personal property that directly enters into and becomes
44 an ingredient or component part of any manufactured, fabricated or

1 processed article, substance or commodity for sale in the regular course
2 of business.

3 5. Motor vehicle fuel and use fuel, the sales, distribution or use
4 of which in this state is subject to the tax imposed under title 28,
5 chapter 16, article 1, use fuel that is sold to or used by a person
6 holding a valid single trip use fuel tax permit issued under section
7 28-5739, aviation fuel, the sales, distribution or use of which in this
8 state is subject to the tax imposed under section 28-8344, and jet fuel,
9 the sales, distribution or use of which in this state is subject to the
10 tax imposed under article 8 of this chapter.

11 6. Tangible personal property brought into this state by an
12 individual who was a nonresident at the time the property was purchased
13 for storage, use or consumption by the individual if the first actual use
14 or consumption of the property was outside this state, unless the property
15 is used in conducting a business in this state.

16 7. Purchases of implants used as growth promotants and injectable
17 medicines, not already exempt under paragraph 16 of this subsection, for
18 livestock and poultry owned by, or in possession of, persons who are
19 engaged in producing livestock, poultry, or livestock or poultry products,
20 or who are engaged in feeding livestock or poultry commercially. For the
21 purposes of this paragraph, "poultry" includes ratites.

22 8. Purchases of:

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

25 (b) Livestock and poultry feed, salts, vitamins and other additives
26 sold to persons for use or consumption in the businesses of farming,
27 ranching and producing or feeding livestock or poultry or for use or
28 consumption in noncommercial boarding of livestock. For the purposes of
29 this paragraph, "poultry" includes ratites.

30 9. Propagative materials for use in commercially producing
31 agricultural, horticultural, viticultural or floricultural crops in this
32 state. For the purposes of this paragraph, "propagative materials":

33 (a) Includes seeds, seedlings, roots, bulbs, liners, transplants,
34 cuttings, soil and plant additives, agricultural minerals, auxiliary soil
35 and plant substances, micronutrients, fertilizers, insecticides,
36 herbicides, fungicides, soil fumigants, desiccants, rodenticides,
37 adjuvants, plant nutrients and plant growth regulators.

38 (b) Except for use in commercially producing industrial hemp as
39 defined in section 3-311, does not include any propagative materials used
40 in producing any part, including seeds, of any plant of the genus
41 cannabis.

42 10. Tangible personal property not exceeding \$200 in any one month
43 purchased by an individual at retail outside the continental limits of the
44 United States for the individual's own personal use and enjoyment.

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

5 12. Materials that are purchased by or for publicly funded
6 libraries including school district libraries, charter school libraries,
7 community college libraries, state university libraries or federal, state,
8 county or municipal libraries for use by the public as follows:

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

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

11 13. Tangible personal property purchased by:

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

15 (b) A hospital operated by this state or a political subdivision of
16 this state.

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

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

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

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

36 (g) A person that is subject to tax under this chapter by reason of
37 being engaged in business classified under section 42-5075, or a
38 subcontractor working under the control of a person that is engaged in
39 business classified under section 42-5075, if the tangible personal
40 property is any of the following:

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

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

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

3 (h) A person that is not subject to tax under section 42-5075 and
4 that has been provided a copy of a certificate described in section
5 42-5009, subsection L, if the property purchased is incorporated or
6 fabricated by the person into the real property, structure, project,
7 development or improvement described in the certificate.

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

12 (j) A qualifying community health center as defined in section
13 42-5001.

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

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

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

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

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

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

42 15. Tangible personal property sold by:

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

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

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

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

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

28 18. Prescription eyeglasses and contact lenses.

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

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

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

38 22. Food, as provided in and subject to the conditions of article 3
39 of this chapter and sections 42-5074 and 42-6017.

40 23. Items purchased with United States department of agriculture
41 coupons issued under the supplemental nutrition assistance program
42 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;
43 7 United States Code sections 2011 through 2036b) by the United States
44 department of agriculture food and nutrition service or food instruments
45 issued under section 17 of the child nutrition act (P.L. 95-627; 92 Stat.

1 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States Code
2 section 1786).

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

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

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

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

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

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

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

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

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

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

38 (b) Public educational institutions.

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

42 33. Natural gas or liquefied petroleum gas used to propel a motor
43 vehicle.

44 34. Machinery, equipment, technology or related supplies that are
45 only useful to assist a person with a physical disability as defined in

1 section 46-191 or a person who has a developmental disability as defined
2 in section 36-551 or has a head injury as defined in section 41-3201 to be
3 more independent and functional.

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

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

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

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

29 39. Overhead materials or other tangible personal property that is
30 used in performing a contract between the United States government and a
31 manufacturer, modifier, assembler or repairer, including property used in
32 performing a subcontract with a government contractor who is a
33 manufacturer, modifier, assembler or repairer, to which title passes to
34 the government under the terms of the contract or subcontract. For the
35 purposes of this paragraph:

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

43 (b) "Subcontract" means an agreement between a contractor and any
44 person who is not an employee of the contractor for furnishing of supplies
45 or services that, in whole or in part, are necessary to the performance of

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

8 40. Through December 31, 1994, tangible personal property sold
9 pursuant to a personal property liquidation transaction, as defined in
10 section 42-5061. From and after December 31, 1994, tangible personal
11 property sold pursuant to a personal property liquidation transaction, as
12 defined in section 42-5061, if the gross proceeds of the sales were
13 included in the measure of the tax imposed by article 1 of this chapter or
14 if the personal property liquidation was a casual activity or transaction.

15 41. Wireless telecommunications equipment that is held for sale or
16 transfer to a customer as an inducement to enter into or continue a
17 contract for telecommunications services that are taxable under section
18 42-5064.

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

22 43. Tangible personal property purchased by a commercial airline
23 and consisting of food, beverages and condiments and accessories used for
24 serving the food and beverages, if those items are to be provided without
25 additional charge to passengers for consumption in flight. For the
26 purposes of this paragraph, "commercial airline" means a person holding a
27 federal certificate of public convenience and necessity or foreign air
28 carrier permit for air transportation to transport persons, property or
29 United States mail in intrastate, interstate or foreign commerce.

30 44. Alternative fuel vehicles if the vehicle was manufactured as a
31 diesel fuel vehicle and converted to operate on alternative fuel and
32 equipment that is installed in a conventional diesel fuel motor vehicle to
33 convert the vehicle to operate on an alternative fuel, as defined in
34 section 1-215.

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

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

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

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

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

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

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

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

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

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

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

27 52. Repair parts installed in equipment used directly by a
28 qualified business under section 41-1516 in harvesting, processing or
29 transporting qualifying forest products removed from qualifying projects
30 as defined in section 41-1516.

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

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

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

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

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

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

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

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

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

29 57. Cash equivalents, precious metal bullion and monetized bullion
30 purchased by the ultimate consumer, but coins or other forms of money for
31 manufacture into jewelry or works of art are subject to tax, and tangible
32 personal property that is purchased through the redemption of any cash
33 equivalent by the holder as a means of payment for goods that are subject
34 to tax under this article is subject to tax. For the purposes of this
35 paragraph:

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

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

45 (ii) Prepaid calling cards for telecommunications services.

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

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

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

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

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

24 3. Tangible personal property sold to persons engaged in business
25 classified under the telecommunications classification under section
26 42-5064, including a person representing or working on behalf of such a
27 person in a manner described in section 42-5075, subsection 0, and
28 consisting of central office switching equipment, switchboards, private
29 branch exchange equipment, microwave radio equipment and carrier equipment
30 including optical fiber, coaxial cable and other transmission media that
31 are components of carrier systems.

32 4. Machinery, equipment or transmission lines used directly in
33 producing or transmitting electrical power, but not including
34 distribution. Transformers and control equipment used at transmission
35 substation sites constitute equipment used in producing or transmitting
36 electrical power.

37 5. Neat animals, horses, asses, sheep, ratites, swine or goats used
38 or to be used as breeding or production stock, including sales of
39 breedings or ownership shares in such animals used for breeding or
40 production.

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

1 7. Aircraft, navigational and communication instruments and other
2 accessories and related equipment sold to:

3 (a) A person:

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

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

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

17 (iv) Operating an aircraft to transport persons in any manner for
18 compensation or hire, or for use in a fractional ownership program that
19 meets the requirements of federal aviation administration regulations
20 (14 Code of Federal Regulations part 91, subpart K), including as an air
21 carrier, a foreign air carrier or a commercial operator or under a
22 restricted category, within the meaning of 14 Code of Federal Regulations,
23 regardless of whether the operation or aircraft is regulated or certified
24 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code
25 of Federal Regulations.

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

31 (b) Any foreign government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6 (ii) Over two-thirds of the transmissions, measured in megabytes,
7 transmitted by or on behalf of those direct broadcast television or data
8 transmission services during the test period were transmitted by the
9 facility to or on behalf of those services. For the purposes of
10 subdivision (b) of this paragraph, "test period" means the three hundred
11 sixty-five day period beginning on the later of the date on which the
12 tangible personal property is purchased or the date on which the direct
13 broadcast satellite television or data transmission service first
14 transmits information to its customers.

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

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

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

32 17. Machinery and equipment that are used directly in the feeding
33 of poultry, the environmental control of housing for poultry, the movement
34 of eggs within a production and packaging facility or the sorting or
35 cooling of eggs. This exemption does not apply to vehicles used for
36 transporting eggs.

37 18. Machinery or equipment, including related structural components
38 AND CONTAINMENT STRUCTURES, that is employed in connection with
39 manufacturing, processing, fabricating, job printing, refining, mining,
40 natural gas pipelines, metallurgical operations, telecommunications,
41 producing or transmitting electricity or research and development and that
42 is used directly to meet or exceed rules or regulations adopted by the
43 federal energy regulatory commission, the United States environmental
44 protection agency, the United States nuclear regulatory commission, the
45 Arizona department of environmental quality or a political subdivision of

1 this state to prevent, monitor, control or reduce land, water or air
2 pollution.

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

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

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

19 (b) Machinery or equipment purchased to replace machinery or
20 equipment for which an exemption was previously claimed and taken under
21 this paragraph.

22 (c) Any machinery or equipment purchased after the television
23 station has ceased analog broadcasting, or purchased after November 1,
24 2009, whichever occurs first.

25 21. Qualifying equipment that is purchased from and after June 30,
26 2004 through June 30, 2024 by a qualified business under section 41-1516
27 for harvesting or processing qualifying forest products removed from
28 qualifying projects as defined in section 41-1516. To qualify for this
29 exemption, the qualified business must obtain and present its
30 certification from the Arizona commerce authority at the time of purchase.

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

37 C. The exemptions provided by subsection B of this section do not
38 include:

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

43 2. Janitorial equipment and hand tools.

44 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

15 1. Revenues received from sales of ancillary services, electric
16 distribution services, electric generation services, electric transmission
17 services and other services related to providing electricity to a retail
18 electric customer who is located outside this state for use outside this
19 state if the electricity is delivered to a point of sale outside this
20 state.

21 2. Revenues received from providing electricity, including
22 ancillary services, electric distribution services, electric generation
23 services, electric transmission services and other services related to
24 providing electricity with respect to which the transaction privilege tax
25 imposed under section 42-5063 has been paid.

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

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

31 1. Fees charged by a municipally owned utility to persons
32 constructing residential, commercial or industrial developments or
33 connecting residential, commercial or industrial developments to a
34 municipal utility system or systems if the fees are segregated and used
35 only for capital expansion, system enlargement or debt service of the
36 utility system or systems.

37 2. Reimbursement or contribution compensation to any person or
38 persons owning a utility system for property and equipment installed to
39 provide utility access to, on or across the land of an actual utility
40 consumer if the property and equipment become the property of the
41 utility. This deduction shall not exceed the value of such property and
42 equipment.

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

1 1. A qualified manufacturing or smelting business. A utility that
2 claims this deduction shall report each month, on a form prescribed by the
3 department, the name and address of each qualified manufacturing or
4 smelting business for which this deduction is taken. This paragraph
5 applies to gas transportation services. For the purposes of this
6 paragraph:

7 (a) "Gas transportation services" means the services of
8 transporting natural gas to a natural gas customer or to a natural gas
9 distribution facility if the natural gas was purchased from a supplier
10 other than the utility.

11 (b) "Manufacturing" means the performance as a business of an
12 integrated series of operations that places tangible personal property in
13 a form, composition or character different from that in which it was
14 acquired and transforms it into a different product with a distinctive
15 name, character or use. Manufacturing does not include job printing,
16 publishing, packaging, mining, generating electricity or operating a
17 restaurant.

18 (c) "Qualified manufacturing or smelting business" means one of the
19 following:

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

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

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

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

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

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

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

42 H. A city or town may exempt proceeds from sales of paintings,
43 sculptures or similar works of fine art if such works of fine art are sold
44 by the original artist. For the purposes of this subsection, fine art
45 does not include an art creation such as jewelry, macrame, glasswork,

1 pottery, woodwork, metalwork, furniture or clothing if the art creation
2 has a dual purpose, both aesthetic and utilitarian, whether sold by the
3 artist or by another person.

4 I. For the purposes of subsection B of this section:

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

8 2. "Aircraft" includes:

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

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

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

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

22 Sec. 10. Section 42-15001, Arizona Revised Statutes, is amended to
23 read:

24 42-15001. Assessed valuation of class one property

25 The assessed valuation of class one property described in section
26 42-12001 is the following percentage of its full cash value or limited
27 valuation, as applicable:

28 1. Twenty-five ~~per cent~~ PERCENT through December 31, 2005.

29 2. Twenty-four and one-half ~~per cent~~ PERCENT beginning from and
30 after December 31, 2005 through December 31, 2006.

31 3. Twenty-four ~~per cent~~ PERCENT beginning from and after December
32 31, 2006 through December 31, 2007.

33 4. Twenty-three ~~per cent~~ PERCENT beginning from and after December
34 31, 2007 through December 31, 2008.

35 5. Twenty-two ~~per cent~~ PERCENT beginning from and after December
36 31, 2008 through December 31, 2009.

37 6. Twenty-one ~~per cent~~ PERCENT beginning from and after December
38 31, 2009 through December 31, 2010.

39 7. Twenty ~~per cent~~ PERCENT beginning from and after December 31,
40 2010 through December 31, 2012.

41 8. Nineteen and one-half ~~per cent~~ PERCENT beginning from and after
42 December 31, 2012 through December 31, 2013.

43 9. Nineteen ~~per cent~~ PERCENT beginning from and after December 31,
44 2013 through December 31, 2014.

1 10. Eighteen and one-half ~~per cent~~ PERCENT beginning from and after
2 December 31, 2014 through December 31, 2015.

3 11. Eighteen ~~per cent~~ PERCENT beginning from and after December 31,
4 2015 THROUGH DECEMBER 31, 2021.

5 12. SEVENTEEN AND ONE-HALF PERCENT BEGINNING FROM AND AFTER
6 DECEMBER 31, 2021 THROUGH DECEMBER 31, 2022.

7 13. SEVENTEEN PERCENT BEGINNING FROM AND AFTER DECEMBER 31, 2022
8 THROUGH DECEMBER 31, 2023.

9 14. SIXTEEN AND ONE-HALF PERCENT BEGINNING FROM AND AFTER DECEMBER
10 31, 2023 THROUGH DECEMBER 31, 2024.

11 15. SIXTEEN PERCENT BEGINNING FROM AND AFTER DECEMBER 31, 2024.

12 Sec. 11. Section 43-206, Arizona Revised Statutes, is amended to
13 read:

14 43-206. Urban revenue sharing fund; allocation; distribution;
15 withholding

16 A. The urban revenue sharing fund is established. THROUGH FISCAL
17 YEAR 2022-2023, the fund ~~shall consist~~ CONSISTS of an amount equal to
18 fifteen percent of the net proceeds of the state income taxes for the
19 fiscal year two years preceding the current fiscal year. BEGINNING IN
20 FISCAL YEAR 2023-2024, THE FUND CONSISTS OF AN AMOUNT EQUAL TO EIGHTEEN
21 PERCENT OF THE NET PROCEEDS OF THE STATE INCOME TAXES FOR THE FISCAL YEAR
22 TWO YEARS PRECEDING THE CURRENT FISCAL YEAR. The fund shall be distributed
23 to incorporated cities and towns as provided in this section, except that
24 a city or town shall receive at least an amount equal to what a city or
25 town with a population of fifteen hundred or more persons would
26 receive. The transfer of net proceeds prescribed by section 49-282,
27 subsection B does not affect the calculation of net proceeds prescribed by
28 this subsection.

29 B. Each city or town shall share in the urban revenue sharing fund
30 in the proportion that the population of each bears to the population of
31 all. Except as provided by sections 42-5033 and 42-5033.01, the population
32 of a city or town as determined by the most recent United States decennial
33 census plus any revisions to the decennial census certified by the United
34 States bureau of the census shall be used as the basis for apportioning
35 monies pursuant to this subsection.

36 C. The treasurer, on instruction from the department, shall
37 transmit, ~~no~~ NOT later than the tenth day of each month, to each city or
38 town an amount equal to one-twelfth of that city's or town's total
39 entitlement for the current fiscal year from the urban revenue sharing
40 fund as determined by the department.

41 D. A newly incorporated city or town shall share in the urban
42 revenue sharing fund beginning the first month of the first full fiscal
43 year following incorporation.

1 E. On receipt of a certificate of default from the greater Arizona
2 development authority pursuant to section 41-2257 or 41-2258, the state
3 treasurer, to the extent not otherwise expressly prohibited by law, shall
4 withhold from the next succeeding distribution of monies pursuant to this
5 section due to the city or town the amount specified in the certificate of
6 default and immediately deposit the amount withheld in the greater Arizona
7 development authority revolving fund. The state treasurer shall continue
8 to withhold and deposit the monies until the authority certifies to the
9 state treasurer that the default has been cured. ~~in no event shall~~ The
10 state treasurer MAY NOT withhold any amount that is necessary, as
11 certified by the defaulting political subdivision to the state treasurer
12 and the authority, to make any required deposits then due for the payment
13 of principal and interest on bonds of the political subdivision that were
14 issued ~~prior to~~ BEFORE the date of the loan repayment agreement or bonds
15 and that have been secured by a pledge of distributions made pursuant to
16 this section.

17 F. Except as otherwise provided by this subsection, on notice from
18 the attorney general pursuant to section 41-194.01, subsection B,
19 paragraph 1 that an ordinance, regulation, order or other official action
20 adopted or taken by the governing body of a city or town violates state
21 law or the Constitution of Arizona, the state treasurer shall withhold the
22 distribution of monies pursuant to this section to the affected city or
23 town and shall continue to withhold monies pursuant to this subsection
24 until the attorney general certifies to the state treasurer that the
25 violation has been resolved. The state treasurer shall redistribute the
26 monies withheld pursuant to this subsection among all other cities and
27 towns in proportion to their population as provided by subsection B of
28 this section. The state treasurer shall not withhold any amount that the
29 city or town certifies to the attorney general and the state treasurer as
30 being necessary to make any required deposits or payments for debt service
31 on bonds or other long-term obligations of the city or town that were
32 issued or incurred before committing the violation.

33 Sec. 12. Section 43-222, Arizona Revised Statutes, is amended to
34 read:

35 43-222. Income tax credit review schedule

36 The joint legislative income tax credit review committee shall
37 review the following income tax credits:

38 1. For years ending in 0 and 5, sections 43-1079.01, 43-1087,
39 43-1088, 43-1089.04, 43-1167.01 and 43-1175.

40 2. For years ending in 1 and 6, sections 43-1072.02, 43-1074.02,
41 43-1076.01, 43-1083, 43-1083.02, 43-1162, 43-1164.03 and 43-1183.

42 3. For years ending in 2 and 7, sections 43-1073, 43-1085, 43-1086,
43 43-1089, 43-1089.01, 43-1089.02, 43-1089.03, 43-1164 and 43-1169.

44 4. For years ending in 3 and 8, sections 43-1074.01, 43-1081,
45 43-1168, 43-1170 and 43-1178.

1 5. For years ending in 4 and 9, sections 43-1073.01, 43-1076,
2 43-1081.01, 43-1083.03, 43-1084, 43-1164.04, 43-1164.05, and 43-1184.

3 Sec. 13. Title 43, chapter 2, article 3, Arizona Revised Statutes,
4 is amended by adding section 43-243, to read:

5 43-243. State general fund revenue notification; tax rate
6 adjustment

7 A. ON OR BEFORE SEPTEMBER 30, 2022, THE DIRECTOR OF THE JOINT
8 LEGISLATIVE BUDGET COMMITTEE AND THE DIRECTOR OF THE GOVERNOR'S OFFICE OF
9 STRATEGIC PLANNING AND BUDGETING SHALL JOINTLY NOTIFY THE DEPARTMENT
10 WHETHER THE FISCAL YEAR 2021-2022 STATE GENERAL FUND REVENUE, EXCLUDING
11 THE BEGINNING BALANCE, WAS \$12,782,800,000 OR MORE.

12 B. ON OR BEFORE SEPTEMBER 30, 2023 AND ON OR BEFORE SEPTEMBER 30 OF
13 EACH YEAR UNTIL THE NOTICE IS PROVIDED AS PRESCRIBED IN SUBSECTION A OF
14 THIS SECTION OR PARAGRAPH 1 OF THIS SUBSECTION, AND PARAGRAPH 2 OF THIS
15 SUBSECTION, THE DIRECTOR OF THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE
16 DIRECTOR OF THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING
17 SHALL JOINTLY NOTIFY THE DEPARTMENT WHETHER THE PREVIOUS FISCAL YEAR STATE
18 GENERAL FUND REVENUE, EXCLUDING THE BEGINNING BALANCE, WAS EITHER OF THE
19 FOLLOWING AMOUNTS:

20 1. MORE THAN \$12,782,800,000 BUT LESS THAN \$12,976,300,000. THE
21 NOTICE REQUIRED PURSUANT TO THIS PARAGRAPH IS NOT REQUIRED IF THE NOTICE
22 REQUIRED PURSUANT TO SUBSECTION A OF THIS SECTION WAS PROVIDED ON OR
23 BEFORE SEPTEMBER 30, 2022.

24 2. \$12,976,300,000 OR MORE.

25 C. ON RECEIPT OF THE NOTICE REQUIRED PURSUANT TO SUBSECTION A OR
26 SUBSECTION B, PARAGRAPH 1 OF THIS SECTION, THE DEPARTMENT SHALL USE THE
27 TAX RATES PROVIDED IN SECTION 43-1011, SUBSECTION A, PARAGRAPH 8 FOR
28 TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31 OF THE YEAR IN WHICH
29 THE NOTICE REQUIRED PURSUANT TO SUBSECTION A OR SUBSECTION B, PARAGRAPH 1
30 OF THIS SECTION IS RECEIVED. THE TAX RATE PRESCRIBED IN SECTION 43-1011,
31 SUBSECTION A, PARAGRAPH 8 APPLIES UNTIL THE DEPARTMENT RECEIVES THE NOTICE
32 REQUIRED PURSUANT TO SUBSECTION B, PARAGRAPH 2 OF THIS SECTION.

33 D. ON RECEIPT OF THE NOTICE REQUIRED PURSUANT TO SUBSECTION B,
34 PARAGRAPH 2 OF THIS SECTION, THE DEPARTMENT SHALL USE THE TAX RATES
35 PROVIDED IN SECTION 43-1011, SUBSECTION A, PARAGRAPH 9 FOR TAXABLE YEARS
36 BEGINNING FROM AND AFTER DECEMBER 31 OF THE YEAR IN WHICH THE NOTICE
37 REQUIRED PURSUANT TO SUBSECTION B, PARAGRAPH 2 OF THIS SECTION IS
38 RECEIVED.

39 E. THE DIRECTOR OF THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE
40 DIRECTOR OF THE GOVERNOR'S OFFICE OF STRATEGIC PLANNING AND BUDGETING
41 SHALL NOTIFY THE DEPARTMENT AS REQUIRED PURSUANT TO SUBSECTION B,
42 PARAGRAPHS 1 AND 2 OF THIS SECTION ONLY ON THE FIRST OCCURRENCE THAT EACH
43 STATE GENERAL FUND REVENUE THRESHOLD IS MET.

1 Sec. 14. Section 43-581, Arizona Revised Statutes, is amended to
2 read:

3 43-581. Payment of estimated tax; rules; penalty; forms

4 A. An individual who is subject to the tax imposed by ~~this title~~
5 SECTION 43-1011 and whose Arizona gross income, as defined by section
6 43-1001, or as described by section 43-1091 in the case of nonresidents,
7 for the taxable year exceeds ~~seventy-five thousand dollars~~ \$75,000 or ~~one~~
8 ~~hundred fifty thousand dollars~~ \$150,000 if a joint return is filed and
9 whose Arizona gross income was greater than ~~seventy-five thousand dollars~~
10 \$75,000 in the preceding taxable year or ~~one hundred fifty thousand~~
11 ~~dollars~~ \$150,000 in the preceding taxable year if a joint return is filed
12 shall make payments of estimated tax during the individual's taxable
13 year. The amount of the payments of estimated tax shall be an amount that
14 reasonably reflects a taxpayer's Arizona income tax liability that will be
15 unpaid at the end of the taxpayer's taxable year. This amount shall be
16 paid in four installments on or before the due dates established by the
17 internal revenue code and shall total, when combined with the taxpayer's
18 withholding tax, at least ninety percent of the tax due for the current
19 taxable year or one hundred percent of the tax due for the preceding
20 taxable year.

21 B. Any other individual who is subject to the tax imposed by this
22 title may make payments of estimated tax during the individual's taxable
23 year. The amount of any estimated tax payments for the taxable year shall
24 be an amount that reasonably reflects a taxpayer's Arizona income tax
25 liability that will be unpaid at the end of the taxpayer's taxable year.

26 C. The department shall prescribe rules for the payments of
27 estimated tax that shall provide for estimated payments in a manner
28 similar to the manner prescribed in the internal revenue code.

29 D. If the taxpayer does not pay the estimated tax required by
30 subsection A of this section on or before the prescribed dates, there is
31 assessed and the department shall collect a penalty on the unpaid amount
32 as prescribed by section 42-1125, subsection Q. ~~No~~ Penalties or interest
33 shall ~~NOT~~ be assessed or collected if either of the following applies:

34 1. The estimated tax payments made pursuant to this section are
35 allowable exceptions under section 6654 of the internal revenue code.

36 2. The taxpayer's Arizona income tax liability due on the
37 taxpayer's return is less than ~~one thousand dollars~~ \$1,000. For the
38 purposes of this paragraph, "Arizona income tax liability due on the
39 taxpayer's return" means the amount of tax due on the return minus the
40 amount of Arizona income tax withheld and tax credits claimed by the
41 taxpayer.

42 E. The department shall make available suitable forms and
43 instructions to taxpayers who make estimated tax payments pursuant to this
44 article.

1 Sec. 15. Section 43-1011, Arizona Revised Statutes, is amended to
 2 read:

3 43-1011. Taxes and tax rates

4 A. There shall be levied, collected and paid for each taxable year
 5 on the entire taxable income of every resident of this state and on the
 6 entire taxable income of every nonresident that is derived from sources
 7 within this state taxes determined in the following manner:

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

10 (a) In the case of a single person or a married person filing
 11 separately:

<u>If taxable income is:</u>	<u>The tax is:</u>
12 \$0 – \$10,000	2.90% of taxable income
13 \$10,001 – \$25,000	\$290, plus 3.30% of the excess over \$10,000
14 \$25,001 – \$50,000	\$785, plus 3.90% of the excess over \$25,000
15 \$50,001 – \$150,000	\$1,760, plus 4.80% of the excess over \$50,000
16 \$150,001 and over	\$6,560, plus 5.17% of the excess over \$150,000

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

<u>If taxable income is:</u>	<u>The tax is:</u>
24 \$0 – \$20,000	2.90% of taxable income
25 \$20,001 – \$50,000	\$580, plus 3.30% of the excess over \$20,000
26 \$50,001 – \$100,000	\$1,570, plus 3.90% of the excess over \$50,000
27 \$100,001 – \$300,000	\$3,520, plus 4.80% of the excess over \$100,000
28 \$300,001 and over	\$13,120, plus 5.17% of the excess over \$300,000

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 34 2. For taxable years beginning from and after December 31, 1997
 35 through December 31, 1998:

36 (a) In the case of a single person or a married person filing
 37 separately:

<u>If taxable income is:</u>	<u>The tax is:</u>
38 \$0 – \$10,000	2.88% of taxable income
39 \$10,001 – \$25,000	\$288, plus 3.24% of the excess over \$10,000
40 \$25,001 – \$50,000	\$774, plus 3.82% of the excess over \$25,000

41
 42
 43

1	\$50,001 – \$150,000	\$1,729, plus 4.74% of the excess
2		over \$50,000
3	\$150,001 and over	\$6,469, plus 5.10% of the excess
4		over \$150,000

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

7	<u>If taxable income is:</u>	<u>The tax is:</u>
8	\$0 – \$20,000	2.88% of taxable income
9	\$20,001 – \$50,000	\$576, plus 3.24% of the excess
10		over \$20,000
11	\$50,001 – \$100,000	\$1,548, plus 3.82% of the excess
12		over \$50,000
13	\$100,001 – \$300,000	\$3,458, plus 4.74% of the excess
14		over \$100,000
15	\$300,001 and over	\$12,938, plus 5.10% of the
16		excess over \$300,000

17 3. For taxable years beginning from and after December 31, 1998
 18 through December 31, 2005:

19 (a) In the case of a single person or a married person filing
 20 separately:

21	<u>If taxable income is:</u>	<u>The tax is:</u>
22	\$0 – \$10,000	2.87% of taxable income
23	\$10,001 – \$25,000	\$287, plus 3.20% of the excess
24		over \$10,000
25	\$25,001 – \$50,000	\$767, plus 3.74% of the excess
26		over \$25,000
27	\$50,001 – \$150,000	\$1,702, plus 4.72% of the excess
28		over \$50,000
29	\$150,001 and over	\$6,422, plus 5.04% of the excess
30		over \$150,000

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

33	<u>If taxable income is:</u>	<u>The tax is:</u>
34	\$0 – \$20,000	2.87% of taxable income
35	\$20,001 – \$50,000	\$574, plus 3.20% of the excess
36		over \$20,000
37	\$50,001 – \$100,000	\$1,534, plus 3.74% of the excess
38		over \$50,000
39	\$100,001 – \$300,000	\$3,404, plus 4.72% of the excess
40		over \$100,000
41	\$300,001 and over	\$12,844, plus 5.04% of the
42		excess over \$300,000

43 4. For taxable years beginning from and after December 31, 2005
 44 through December 31, 2006:

1 (a) In the case of a single person or a married person filing
2 separately:

<u>If taxable income is:</u>	<u>The tax is:</u>
3 \$0 – \$10,000	2.73% of taxable income
4 \$10,001 – \$25,000	\$273, plus 3.04% of the excess 5 over \$10,000
6 \$25,001 – \$50,000	\$729, plus 3.55% of the excess 7 over \$25,000
8 \$50,001 – \$150,000	\$1,617, plus 4.48% of the excess 9 over \$50,000
10 \$150,001 and over	\$6,097, plus 4.79% of the excess 11 over \$150,000

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

<u>If taxable income is:</u>	<u>The tax is:</u>
14 \$0 – \$20,000	2.73% of taxable income
15 \$20,001 – \$50,000	\$546, plus 3.04% of the excess 16 over \$20,000
17 \$50,001 – \$100,000	\$1,458, plus 3.55% of the excess 18 over \$50,000
19 \$100,001 – \$300,000	\$3,233, plus 4.48% of the excess 20 over \$100,000
21 \$300,001 and over	\$12,193, plus 4.79% of the 22 excess over \$300,000

23 5. Subject to subsections B and C of this section, for taxable
24 years beginning from and after December 31, 2006 through December 31,
25 2018:

26 (a) In the case of a single person or a married person filing
27 separately:

<u>If taxable income is:</u>	<u>The tax is:</u>
28 \$0 – \$10,000	2.59% of taxable income
29 \$10,001 – \$25,000	\$259, plus 2.88% of the excess 30 over \$10,000
31 \$25,001 – \$50,000	\$691, plus 3.36% of the excess 32 over \$25,000
33 \$50,001 – \$150,000	\$1,531, plus 4.24% of the excess 34 over \$50,000
35 \$150,001 and over	\$5,771, plus 4.54% of the excess 36 over \$150,000

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

<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

1	\$50,001 – \$100,000	\$1,382, plus 3.36% of the excess
2		over \$50,000
3	\$100,001 – \$300,000	\$3,062, plus 4.24% of the excess
4		over \$100,000
5	\$300,001 and over	\$11,542, plus 4.54% of the
6		excess over \$300,000

7 6. Subject to ~~subsection~~ **SUBSECTIONS D AND E** of this section, for
8 taxable years beginning from and after December 31, 2018 **THROUGH DECEMBER**
9 **31, 2021**:

10 (a) In the case of a single person or a married person filing
11 separately:

12	<u>If taxable income is:</u>	<u>The tax is:</u>
13	\$0 – \$26,500	2.59% of taxable income
14	\$26,501 – \$53,000	\$686, plus 3.34% of the amount
15		over \$26,500
16	\$53,001 – \$159,000	\$1,571, plus 4.17% of the
17		amount over \$53,000
18	\$159,001 and over	\$5,991, plus 4.50% of the amount
19		over \$159,000

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

22	<u>If taxable income is:</u>	<u>The tax is:</u>
23	\$0 – \$53,000	2.59% of taxable income
24	\$53,001 – \$106,000	\$1,373, plus 3.34% of the amount
25		over \$53,000
26	\$106,001 – \$318,000	\$3,143, plus 4.17% of the amount
27		over \$106,000
28	\$318,001 and over	\$11,983, plus 4.50% of the
29		amount over \$318,000

30 **7. SUBJECT TO SUBSECTIONS E AND F OF THIS SECTION, FOR TAXABLE**
31 **YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2021 THROUGH DECEMBER 31 OF**
32 **THE YEAR IN WHICH NOTICE IS PROVIDED TO THE DEPARTMENT PURSUANT TO SECTION**
33 **43-243, SUBSECTION A OR SUBSECTION B, PARAGRAPH 1:**

34 (a) **IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING**
35 **SEPARATELY:**

36	<u>IF TAXABLE INCOME IS:</u>	<u>THE TAX IS:</u>
37	\$0 – \$27,272	2.55% OF TAXABLE INCOME
38	\$27,273 AND OVER	\$695, PLUS 2.98% OF THE AMOUNT
39		OVER \$27,272

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

42	<u>IF TAXABLE INCOME IS:</u>	<u>THE TAX IS:</u>
43	\$0 – \$54,544	2.55% OF TAXABLE INCOME
44	\$54,545 AND OVER	\$1,391, PLUS 2.98% OF THE AMOUNT
45		OVER \$54,544

1 8. SUBJECT TO SUBSECTIONS E AND F OF THIS SECTION, FOR TAXABLE
2 YEARS BEGINNING FROM AND AFTER DECEMBER 31 OF THE YEAR IN WHICH NOTICE IS
3 PROVIDED TO THE DEPARTMENT PURSUANT TO SECTION 43-243, SUBSECTION A OR
4 SUBSECTION B, PARAGRAPH 1 THROUGH DECEMBER 31 OF THE YEAR IN WHICH NOTICE
5 IS PROVIDED TO THE DEPARTMENT PURSUANT TO SECTION 43-243, SUBSECTION B,
6 PARAGRAPH 2:

7 (a) IN THE CASE OF A SINGLE PERSON OR A MARRIED PERSON FILING
8 SEPARATELY:

<u>IF TAXABLE INCOME IS:</u>	<u>THE TAX IS:</u>
\$0 – \$27,272	2.53% OF TAXABLE INCOME
\$27,273 AND OVER	\$690, PLUS 2.75% OF THE AMOUNT OVER \$27,272

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

<u>IF TAXABLE INCOME IS:</u>	<u>THE TAX IS:</u>
\$0 – \$54,544	2.53% OF TAXABLE INCOME
\$54,545 AND OVER	\$1,380, PLUS 2.75% OF THE AMOUNT OVER \$54,544

19 9. SUBJECT TO SUBSECTION F OF THIS SECTION, FOR TAXABLE YEARS
20 BEGINNING FROM AND AFTER DECEMBER 31 OF THE YEAR IN WHICH NOTICE IS
21 PROVIDED TO THE DEPARTMENT PURSUANT TO SECTION 43-243, SUBSECTION B,
22 PARAGRAPH 2, THE TAX IS 2.5% OF TAXABLE INCOME.

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

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

41 D. For each taxable year beginning from and after December 31, 2019
42 THROUGH DECEMBER 31, 2021, the department shall adjust the income dollar
43 amount for each rate bracket prescribed by subsection A, paragraph 6 of
44 this section according to the average annual change in the metropolitan
45 Phoenix consumer price index published by the United States department of

1 labor, bureau of labor statistics. The revised dollar amounts shall be
2 raised to the nearest whole dollar. The income dollar amounts for each
3 rate bracket may not be revised below the amounts prescribed in the prior
4 taxable year.

5 E. FOR EACH TAXABLE YEAR BEGINNING FROM AND AFTER DECEMBER 31,
6 2021, THE DEPARTMENT SHALL ADJUST THE INCOME DOLLAR AMOUNT FOR EACH RATE
7 BRACKET PRESCRIBED BY SUBSECTION A, PARAGRAPHS 7 AND 8 OF THIS SECTION, AS
8 APPLICABLE, ACCORDING TO THE AVERAGE ANNUAL CHANGE IN THE METROPOLITAN
9 PHOENIX CONSUMER PRICE INDEX PUBLISHED BY THE UNITED STATES DEPARTMENT OF
10 LABOR, BUREAU OF LABOR STATISTICS. THE REVISED DOLLAR AMOUNTS SHALL BE
11 RAISED TO THE NEAREST WHOLE DOLLAR. THE INCOME DOLLAR AMOUNTS FOR EACH
12 RATE BRACKET MAY NOT BE REVISED BELOW THE AMOUNTS PRESCRIBED IN THE PRIOR
13 TAXABLE YEAR.

14 Sec. 16. Section 43-1022, Arizona Revised Statutes, is amended to
15 read:

16 43-1022. Subtractions from Arizona gross income

17 In computing Arizona adjusted gross income, the following amounts
18 shall be subtracted from Arizona gross income:

19 1. The amount of exemptions allowed by section 43-1023.

20 2. Benefits, annuities and pensions in an amount totaling not more
21 than \$2,500 received from one or more of the following:

22 (a) The United States government service retirement and disability
23 fund, the United States foreign service retirement and disability system
24 and any other retirement system or plan established by federal law, except
25 retired or retainer pay of the uniformed services of the United States
26 that qualifies for a subtraction under paragraph 27 of this section.

27 (b) The Arizona state retirement system, the corrections officer
28 retirement plan, the public safety personnel retirement system, the
29 elected officials' retirement plan, an optional retirement program
30 established by the Arizona board of regents under section 15-1628, an
31 optional retirement program established by a community college district
32 board under section 15-1451 or a retirement plan established for employees
33 of a county, city or town in this state.

34 3. A beneficiary's share of the fiduciary adjustment to the extent
35 that the amount determined by section 43-1333 decreases the beneficiary's
36 Arizona gross income.

37 4. Interest income received on obligations of the United States,
38 minus any interest on indebtedness, or other related expenses, and
39 deducted in arriving at Arizona gross income, that were incurred or
40 continued to purchase or carry such obligations.

41 5. The excess of a partner's share of income required to be
42 included under section 702(a)(8) of the internal revenue code over the
43 income required to be included under chapter 14, article 2 of this title.

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

4 7. The amount allowed by section 43-1025 for contributions during
5 the taxable year of agricultural crops to charitable organizations.

6 8. The portion of any wages or salaries paid or incurred by the
7 taxpayer for the taxable year that is equal to the amount of the federal
8 work opportunity credit, the empowerment zone employment credit, the
9 credit for employer paid social security taxes on employee cash tips and
10 the Indian employment credit that the taxpayer received under sections
11 45A, 45B, 51(a) and 1396 of the internal revenue code.

12 9. The amount of exploration expenses that is determined pursuant
13 to section 617 of the internal revenue code, that has been deferred in a
14 taxable year ending before January 1, 1990 and for which a subtraction has
15 not previously been made. The subtraction shall be made on a ratable
16 basis as the units of produced ores or minerals discovered or explored as
17 a result of this exploration are sold.

18 10. The amount included in federal adjusted gross income pursuant
19 to section 86 of the internal revenue code, relating to taxation of social
20 security and railroad retirement benefits.

21 11. To the extent not already excluded from Arizona gross income
22 under the internal revenue code, compensation received for active service
23 as a member of the reserves, the national guard or the armed forces of the
24 United States, including compensation for service in a combat zone as
25 determined under section 112 of the internal revenue code.

26 12. The amount of unreimbursed medical and hospital costs, adoption
27 counseling, legal and agency fees and other nonrecurring costs of adoption
28 not to exceed \$3,000. In the case of a husband and wife who file separate
29 returns, the subtraction may be taken by either taxpayer or may be divided
30 between them, but the total subtractions allowed both husband and wife
31 shall not exceed \$3,000. The subtraction under this paragraph may be
32 taken for the costs that are described in this paragraph and that are
33 incurred in prior years, but the subtraction may be taken only in the year
34 during which the final adoption order is granted.

35 13. The amount authorized by section 43-1027 for the taxable year
36 relating to qualified wood stoves, wood fireplaces or gas fired
37 fireplaces.

38 14. The amount by which a net operating loss carryover or capital
39 loss carryover allowable pursuant to section 43-1029, subsection F exceeds
40 the net operating loss carryover or capital loss carryover allowable
41 pursuant to section 1341(b)(5) of the internal revenue code.

42 15. Any amount of qualified educational expenses that is
43 distributed from a qualified state tuition program determined pursuant to
44 section 529 of the internal revenue code and that is included in income in
45 computing federal adjusted gross income.

1 16. Any item of income resulting from an installment sale that has
2 been properly subjected to income tax in another state in a previous
3 taxable year and that is included in Arizona gross income in the current
4 taxable year.

5 17. The amount authorized by section 43-1030 relating to holocaust
6 survivors.

7 18. For property placed in service:

8 (a) In taxable years beginning before December 31, 2012, an amount
9 equal to the depreciation allowable pursuant to section 167(a) of the
10 internal revenue code for the taxable year computed as if the election
11 described in section 168(k) of the internal revenue code had been made for
12 each applicable class of property in the year the property was placed in
13 service.

14 (b) In taxable years beginning from and after December 31, 2012
15 through December 31, 2013, an amount determined in the year the asset was
16 placed in service based on the calculation in subdivision (a) of this
17 paragraph. In the first taxable year beginning from and after
18 December 31, 2013, the taxpayer may elect to subtract the amount necessary
19 to make the depreciation claimed to date for the purposes of this title
20 the same as it would have been if subdivision (c) of this paragraph had
21 applied for the entire time the asset was in service. Subdivision (c) of
22 this paragraph applies for the remainder of the asset's life. If the
23 taxpayer does not make the election under this subdivision, subdivision
24 (a) of this paragraph applies for the remainder of the asset's life.

25 (c) In taxable years beginning from and after December 31, 2013
26 through December 31, 2015, an amount equal to the depreciation allowable
27 pursuant to section 167(a) of the internal revenue code for the taxable
28 year as computed as if the additional allowance for depreciation had been
29 ten percent of the amount allowed pursuant to section 168(k) of the
30 internal revenue code.

31 (d) In taxable years beginning from and after December 31, 2015
32 through December 31, 2016, an amount equal to the depreciation allowable
33 pursuant to section 167(a) of the internal revenue code for the taxable
34 year as computed as if the additional allowance for depreciation had been
35 fifty-five percent of the amount allowed pursuant to section 168(k) of the
36 internal revenue code.

37 (e) In taxable years beginning from and after December 31, 2016, an
38 amount equal to the depreciation allowable pursuant to section 167(a) of
39 the internal revenue code for the taxable year as computed as if the
40 additional allowance for depreciation had been the full amount allowed
41 pursuant to section 168(k) of the internal revenue code.

42 19. With respect to property that is sold or otherwise disposed of
43 during the taxable year by a taxpayer that complied with section 43-1021,
44 paragraph 12 with respect to that property, the amount of depreciation
45 that has been allowed pursuant to section 167(a) of the internal revenue

1 code to the extent that the amount has not already reduced Arizona taxable
2 income in the current or prior taxable years.

3 20. The amount contributed during the taxable year to college
4 savings plans established pursuant to section 529 of the internal revenue
5 code to the extent that the contributions were not deducted in computing
6 federal adjusted gross income. The amount subtracted shall not exceed:

7 (a) \$2,000 for a single individual or a head of household.

8 (b) \$4,000 for a married couple filing a joint return. In the case
9 of a husband and wife who file separate returns, the subtraction may be
10 taken by either taxpayer or may be divided between them, but the total
11 subtractions allowed both husband and wife shall not exceed \$4,000.

12 21. The portion of the net operating loss carryforward that would
13 have been allowed as a deduction in the current year pursuant to section
14 172 of the internal revenue code if the election described in section
15 172(b)(1)(H) of the internal revenue code had not been made in the year of
16 the loss that exceeds the actual net operating loss carryforward that was
17 deducted in arriving at federal adjusted gross income. This subtraction
18 only applies to taxpayers who made an election under section 172(b)(1)(H)
19 of the internal revenue code as amended by section 1211 of the American
20 recovery and reinvestment act of 2009 (P.L. 111-5) or as amended by
21 section 13 of the worker, homeownership, and business assistance act of
22 2009 (P.L. 111-92).

23 22. For taxable years beginning from and after December 31, 2013,
24 the amount of any net capital gain included in federal adjusted gross
25 income for the taxable year derived from investment in a qualified small
26 business as determined by the Arizona commerce authority pursuant to
27 section 41-1518.

28 23. An amount of any net long-term capital gain included in federal
29 adjusted gross income for the taxable year that is derived from an
30 investment in an asset acquired after December 31, 2011, as follows:

31 (a) For taxable years beginning from and after December 31, 2012
32 through December 31, 2013, ten percent of the net long-term capital gain
33 included in federal adjusted gross income.

34 (b) For taxable years beginning from and after December 31, 2013
35 through December 31, 2014, twenty percent of the net long-term capital
36 gain included in federal adjusted gross income.

37 (c) For taxable years beginning from and after December 31, 2014,
38 twenty-five percent of the net long-term capital gain included in federal
39 adjusted gross income. For the purposes of this paragraph, a transferee
40 that receives an asset by gift or at the death of a transferor is
41 considered to have acquired the asset when the asset was acquired by the
42 transferor. If the date an asset is acquired cannot be verified, a
43 subtraction under this paragraph is not allowed.

1 24. If an individual is not claiming itemized deductions pursuant
2 to section 43-1042, the amount of premium costs for long-term care
3 insurance, as defined in section 20-1691.

4 25. The amount of eligible access expenditures paid or incurred
5 during the taxable year to comply with the requirements of the Americans
6 with disabilities act of 1990 (P.L. 101-336) or title 41, chapter 9,
7 article 8 as provided by section 43-1024.

8 26. For taxable years beginning from and after December 31, 2017,
9 the amount of any net capital gain included in Arizona gross income for
10 the taxable year that is derived from the exchange of one kind of legal
11 tender for another kind of legal tender. For the purposes of this
12 paragraph:

13 (a) "Legal tender" means a medium of exchange, including specie,
14 that is authorized by the United States Constitution or Congress to pay
15 debts, public charges, taxes and dues.

16 (b) "Specie" means coins having precious metal content.

17 27. Benefits, annuities and pensions received as retired or
18 retainer pay of the uniformed services of the United States in amounts as
19 follows:

20 (a) For taxable years through December 31, 2018, an amount totaling
21 not more than \$2,500.

22 (b) For taxable years beginning from and after December 31, 2018
23 **THROUGH DECEMBER 31, 2020**, an amount totaling not more than \$3,500.

24 (c) **FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2020,**
25 **THE FULL AMOUNT RECEIVED.**

26 Sec. 17. Section 43-1041, Arizona Revised Statutes, is amended to
27 read:

28 **43-1041. Optional standard deduction**

29 A. A taxpayer may elect to take a standard deduction as follows:

30 1. In the case of a single person or a married person filing
31 separately, the standard deduction is \$12,200, subject to subsection H of
32 this section.

33 2. In the case of a single person who is a head of a household, the
34 standard deduction is \$18,350, subject to subsection H of this section.

35 3. In the case of a married couple filing a joint return, the
36 standard deduction is \$24,400, subject to subsection H of this section.

37 B. The standard deduction provided for in subsection A of this
38 section is in lieu of all itemized deductions allowed by section 43-1042,
39 which are to be subtracted from Arizona adjusted gross income in computing
40 taxable income.

41 C. The standard deduction is allowed if the taxpayer so
42 elects. The election is made by the taxpayer claiming on the tax return
43 the amount provided for in this section in lieu of the itemized deductions
44 allowed under section 43-1042. Electing to file a short form return or a

1 simplified return that does not allow itemized deductions to be claimed is
2 considered to be an election to claim the standard deduction.

3 D. In the case of a husband and wife, the standard deduction
4 provided for in subsection A of this section is not allowed to either if
5 the taxable income of one of the spouses is determined without regard to
6 the standard deduction.

7 E. The standard deduction provided for by subsection A of this
8 section is not allowed in the case of a taxable year of less than twelve
9 months on account of a change in the accounting period.

10 F. Except as provided in subsection G of this section, a change of
11 an election to take, or not to take, the standard deduction for any
12 taxable year may be made after the filing of the return for that year.

13 G. A taxpayer is not allowed to change an election to take, or not
14 to take, the standard deduction if:

15 1. The spouse of the taxpayer filed a separate return for any
16 taxable year corresponding, for the purposes of subsection D of this
17 section, to the taxable year of the taxpayer unless both of the following
18 apply:

19 (a) The spouse makes a change of election with respect to the
20 standard deduction for the taxable year covered in the separate return
21 consistent with the change of election sought by the taxpayer.

22 (b) The taxpayer and spouse consent in writing to the assessment,
23 within such a period as may be agreed on with the department, of any
24 deficiency, to the extent attributable to the change of election, even
25 though at the time of filing the consent the assessment of the deficiency
26 would otherwise be prevented by the operation of any law or rule of law.

27 2. The tax liability of the taxpayer or the taxpayer's spouse for
28 the taxable year has been compromised.

29 H. For each taxable year beginning from and after December 31,
30 2019, the department shall adjust the dollar amounts prescribed by
31 subsection A, paragraphs 1, 2 and 3 of this section for inflation in the
32 same manner in which the federal basic standard deduction is adjusted for
33 inflation pursuant to section 63 of the internal revenue code.

34 I. For taxable years beginning from and after December 31, 2018,
35 the standard deduction allowed under subsection A of this section shall be
36 increased by the amount equal to twenty-five percent of the total amount
37 of a taxpayer's charitable deductions that would have been allowed if the
38 taxpayer elected to claim itemized deductions under section 43-1042 rather
39 than elect the standard deduction. FOR TAXABLE YEARS BEGINNING FROM AND
40 AFTER DECEMBER 31, 2021, THE DEPARTMENT SHALL ADJUST THE PERCENTAGE
41 PRESCRIBED IN THIS SUBSECTION ACCORDING TO THE AVERAGE ANNUAL CHANGE IN
42 THE METROPOLITAN PHOENIX CONSUMER PRICE INDEX PUBLISHED BY THE UNITED
43 STATES DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS, EXCEPT THAT THE
44 ADJUSTED PERCENTAGE MAY NOT EXCEED ONE HUNDRED PERCENT. THE REVISED

1 PERCENTAGE SHALL BE RAISED TO THE NEAREST WHOLE PERCENT AND MAY NOT BE
2 REVISED BELOW THE AMOUNTS PRESCRIBED IN THE PRIOR TAXABLE YEAR.

3 Sec. 18. Title 43, chapter 10, article 5, Arizona Revised Statutes,
4 is amended by adding section 43-1076.01, to read:

5 43-1076.01. Healthy forest production tax credit; definitions

6 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2020, A
7 CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR PROCESSING
8 QUALIFYING FOREST PRODUCTS.

9 B. THE TAXPAYER IS ELIGIBLE FOR THE CREDIT IF ALL OF THE FOLLOWING
10 APPLY:

11 1. THE TAXPAYER HAS A CURRENT HEALTHY FOREST ENTERPRISE INCENTIVE
12 CERTIFICATION AND MEMORANDUM OF UNDERSTANDING WITH THE ARIZONA COMMERCE
13 AUTHORITY PURSUANT TO SECTION 41-1516.

14 2. THE TAXPAYER PROCESSES QUALIFYING FOREST PRODUCTS FROM A
15 QUALIFYING PROJECT FROM AND AFTER DECEMBER 31, 2020 AND BEFORE JANUARY 1,
16 2031.

17 3. THE FACILITY THAT PROCESSES QUALIFYING FOREST PRODUCTS IS
18 LOCATED WITHIN THIS STATE.

19 C. THE TAXPAYER IS ELIGIBLE FOR THE CREDIT FOR THE CALENDAR YEAR IN
20 WHICH THE QUALIFYING PROJECT PROCESSES QUALIFYING FOREST PRODUCTS PURSUANT
21 TO SUBSECTION B OF THIS SECTION.

22 D. IF THE ALLOWABLE CREDIT UNDER THIS SECTION EXCEEDS THE TAXES
23 OTHERWISE DUE UNDER THIS TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE
24 NO TAXES DUE UNDER THIS TITLE, THE TAXPAYER MAY CARRY FORWARD THE AMOUNT
25 OF THE CLAIM NOT USED TO OFFSET THE TAXES UNDER THIS TITLE FOR NOT MORE
26 THAN FIVE CONSECUTIVE TAXABLE YEARS' INCOME TAX LIABILITY.

27 E. THE CREDIT AUTHORIZED BY THIS SECTION IS BASED ON THE NUMBER OF
28 TONS OF QUALIFYING FOREST PRODUCTS THAT A TAXPAYER PROCESSES DURING A
29 CALENDAR YEAR. FOR A TAXPAYER WHO FILES ON A FISCAL YEAR BASIS, THE CREDIT
30 SHALL BE CLAIMED ON THE RETURN FOR THE TAXABLE YEAR IN WHICH THE CALENDAR
31 YEAR ENDS.

32 F. SUBJECT TO SUBSECTION H OF THIS SECTION, THE AMOUNT OF THE
33 CREDIT IS \$10,000 FOR THE FIRST TWENTY THOUSAND TONS AND \$5,000 FOR EVERY
34 TEN THOUSAND TONS THEREAFTER OF QUALIFYING FOREST PRODUCTS THE TAXPAYER
35 PROCESSES IN THE CALENDAR YEAR.

36 G. TO BE ELIGIBLE FOR THE CREDIT UNDER THIS SECTION, THE TAXPAYER
37 MUST APPLY TO THE DEPARTMENT, ON A FORM PRESCRIBED BY THE DEPARTMENT, FOR
38 CERTIFICATION OF THE CREDIT. THE DEPARTMENT SHALL ACCEPT APPLICATIONS
39 BEGINNING JANUARY 2 THROUGH JANUARY 31 OF THE YEAR FOLLOWING THE CALENDAR
40 YEAR FOR WHICH THE CREDIT IS BEING REQUESTED. THE APPLICATION SHALL
41 INCLUDE:

42 1. THE TAXPAYER'S NAME, ADDRESS AND SOCIAL SECURITY NUMBER OR
43 FEDERAL EMPLOYER IDENTIFICATION NUMBER.

44 2. THE LOCATION OF THE TAXPAYER'S FACILITY THAT PROCESSES
45 QUALIFYING FOREST PRODUCTS FOR WHICH THE CREDIT IS CLAIMED.

1 3. THE AMOUNT OF THE CREDIT THAT IS CLAIMED.
2 4. THE DATE THE TAXPAYER BEGAN PROCESSING COMMERCIALY MARKETABLE
3 AMOUNTS OF QUALIFYING FOREST PRODUCTS.
4 5. ANY ADDITIONAL INFORMATION THAT THE DEPARTMENT REQUIRES.
5 H. THE DEPARTMENT SHALL REVIEW EACH APPLICATION UNDER SUBSECTION G
6 OF THIS SECTION AND CERTIFY TO THE TAXPAYER THE AMOUNT OF THE CREDIT
7 AUTHORIZED. THE AMOUNT OF THE CREDIT FOR ANY CALENDAR YEAR MAY NOT EXCEED
8 \$500,000 PER TAXPAYER WHO PROCESSES QUALIFYING FOREST PRODUCTS. CREDITS
9 ARE ALLOWED UNDER THIS SECTION AND SECTION 43-1162 ON A FIRST-COME,
10 FIRST-SERVED BASIS. THE DEPARTMENT MAY NOT AUTHORIZE TAX CREDITS UNDER
11 THIS SECTION AND SECTION 43-1162 THAT EXCEED IN THE AGGREGATE A TOTAL OF
12 \$2,000,000 FOR ANY CALENDAR YEAR.
13 I. THE FIRST TIME A TAXPAYER SUBMITS A QUALIFIED APPLICATION UNDER
14 SUBSECTION G OF THIS SECTION, THE DEPARTMENT SHALL ADD THE TAXPAYER'S NAME
15 TO A CREDIT AUTHORIZATION LIST IN THE ORDER IN WHICH QUALIFIED
16 APPLICATIONS ARE FIRST RECEIVED BY THE DEPARTMENT ON BEHALF OF THE
17 TAXPAYER. A TAXPAYER'S POSITION ON THE CREDIT AUTHORIZATION LIST SHALL BE
18 DETERMINED IN THE FIRST YEAR THE TAXPAYER SUBMITS AN APPLICATION UNDER
19 SUBSECTION G OF THIS SECTION FOR PROCESSING QUALIFYING FOREST PRODUCTS.
20 THE TAXPAYER'S POSITION ON THE LIST SHALL REMAIN UNCHANGED FOR THE
21 REMAINDER OF THE PERIOD SPECIFIED IN SUBSECTION B, PARAGRAPH 2 OF THIS
22 SECTION OR UNTIL A YEAR IN WHICH THE TAXPAYER FAILS TO SUBMIT A TIMELY
23 APPLICATION UNDER SUBSECTION G OF THIS SECTION OR OTHERWISE FAILS TO
24 COMPLY WITH THIS SECTION. IF A TAXPAYER IS REMOVED FROM THE CREDIT
25 AUTHORIZATION LIST FOR PROCESSING QUALIFYING FOREST PRODUCTS, THE TAXPAYER
26 MAY ESTABLISH A NEW POSITION ON THE CREDIT AUTHORIZATION LIST IN A
27 SUBSEQUENT YEAR BY FILING A TIMELY APPLICATION FOR PROCESSING QUALIFYING
28 FOREST PRODUCTS THAT QUALIFIES FOR THE CREDIT.
29 J. IF AN APPLICATION IS RECEIVED THAT, IF AUTHORIZED, WOULD REQUIRE
30 THE DEPARTMENT TO EXCEED THE \$2,000,000 LIMIT, THE DEPARTMENT SHALL GRANT
31 THE APPLICANT ONLY THE REMAINING CREDIT AMOUNT THAT WOULD NOT EXCEED THE
32 \$2,000,000 LIMIT. AFTER THE DEPARTMENT AUTHORIZES \$2,000,000 IN TAX
33 CREDITS, THE DEPARTMENT SHALL DENY ANY SUBSEQUENT APPLICATIONS RECEIVED
34 FOR THAT CALENDAR YEAR. THE DEPARTMENT MAY NOT AUTHORIZE ANY ADDITIONAL
35 TAX CREDITS THAT EXCEED THE \$2,000,000 LIMIT EVEN IF THE AMOUNTS THAT HAVE
36 BEEN CERTIFIED TO ANY TAXPAYER WERE NOT CLAIMED OR A TAXPAYER OTHERWISE
37 FAILS TO MEET THE REQUIREMENTS TO CLAIM THE ADDITIONAL CREDIT.
38 K. CO-OWNERS OF A FACILITY THAT PROCESSES QUALIFYING FOREST
39 PRODUCTS, INCLUDING PARTNERS IN A PARTNERSHIP AND SHAREHOLDERS OF AN
40 S CORPORATION AS DEFINED IN SECTION 1361 OF THE INTERNAL REVENUE CODE, MAY
41 EACH CLAIM THE PRO RATA SHARE OF THE CREDIT ALLOWED UNDER THIS SECTION
42 BASED ON OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS ALLOWED ALL SUCH
43 OWNERS WHO PROCESS QUALIFYING FOREST PRODUCTS MAY NOT EXCEED THE AMOUNT
44 THAT WOULD HAVE BEEN ALLOWED FOR A SOLE OWNER.

1 L. THE DEPARTMENT SHALL ADOPT RULES AND PUBLISH AND PRESCRIBE FORMS
2 AND PROCEDURES AS NECESSARY TO EFFECTUATE THE PURPOSES OF THIS SECTION.

3 M. FOR THE PURPOSES OF THIS SECTION:

4 1. "PROCESSED" OR "PROCESSING" MEANS ANY CHANGE IN THE PHYSICAL
5 STRUCTURE OF QUALIFYING FOREST PRODUCTS REMOVED FROM A QUALIFYING PROJECT
6 INTO A MARKETABLE COMMERCIAL PRODUCT OR COMPONENT OF A PRODUCT THAT HAS
7 COMMERCIAL VALUE TO A CONSUMER OR PURCHASER AND THAT IS READY TO BE USED
8 WITH OR WITHOUT FURTHER ALTERING ITS FORM.

9 2. "QUALIFYING FOREST PRODUCTS" MEANS QUALIFYING FOREST PRODUCTS AS
10 DEFINED IN SECTION 41-1516 THAT ARE SOURCED WITHIN THIS STATE.

11 3. "QUALIFYING PROJECT" HAS THE SAME MEANING PRESCRIBED IN SECTION
12 41-1516.

13 Sec. 19. Section 43-1089.01, Arizona Revised Statutes, is amended
14 to read:

15 43-1089.01. Tax credit; public school fees and contributions;
16 definitions

17 A. A credit is allowed against the taxes imposed by this title for
18 the amount of any fees paid or cash contributions made by a taxpayer or on
19 the taxpayer's behalf pursuant to section 43-401, subsection G during the
20 taxable year to a public school located in this state for the following
21 public school purposes:

22 1. Standardized testing for college credit or readiness offered by
23 a widely recognized and accepted educational testing organization.

24 2. The career and technical education industry certification
25 assessment.

26 3. Preparation courses and materials for standardized testing.

27 4. Cardiopulmonary resuscitation training pursuant to section
28 15-718.01.

29 5. Extracurricular activities.

30 6. Character education programs.

31 7. From and after June 30, 2019 through June 30, ~~2022~~ 2024:

32 (a) Acquiring capital items, as defined in the uniform system of
33 financial records, including those items listed in section 15-903,
34 subsection C, paragraphs 2 through 8.

35 (b) Community school meal programs.

36 (c) Student consumable health care supplies.

37 (d) Playground equipment and shade structures for playground
38 equipment.

39 B. The amount of the credit shall not exceed:

40 1. \$200 for a single individual or a head of household.

41 2. \$400 for a married couple filing a joint return.

42 C. A husband and wife who file separate returns for a taxable year
43 in which they could have filed a joint return may each claim only one-half
44 of the tax credit that would have been allowed for a joint return.

1 D. The credit allowed by this section is in lieu of any deduction
2 pursuant to section 170 of the internal revenue code and taken for state
3 tax purposes.

4 E. If the allowable tax credit exceeds the taxes otherwise due
5 under this title on the claimant's income, or if there are no taxes due
6 under this title, the taxpayer may carry the amount of the claim not used
7 to offset the taxes under this title forward for not more than five
8 consecutive taxable years' income tax liability.

9 F. The site council of the public school that receives
10 contributions that are not designated for a specific purpose shall
11 determine how the contributions are used at the school site. If a charter
12 school does not have a site council, the principal, director or chief
13 administrator of the charter school shall determine how the contributions
14 that are not designated for a specific purpose are used at the school
15 site. If at the end of a fiscal year a public school has unspent
16 contributions that were previously designated for a specific purpose or
17 program and that purpose or program has been discontinued or has not been
18 used for two consecutive fiscal years, these contributions shall be
19 considered undesignated in the following fiscal year for the purposes of
20 this subsection, and the site council may transfer these undesignated
21 contributions to any school within the same school district.

22 G. A public school that receives fees or a cash contribution
23 pursuant to subsection A of this section shall report to the department,
24 in a form prescribed by the department, by February 28 of each year the
25 following information:

26 1. The total number of fee and cash contribution payments received
27 during the previous calendar year.

28 2. The total dollar amount of fees and contributions received
29 during the previous calendar year.

30 3. The total dollar amount of fees and contributions spent by the
31 school during the previous calendar year, categorized by specific
32 standardized testing, preparation courses and materials for standardized
33 testing, extracurricular activity or character education program.

34 H. For the purposes of this section, a contribution for which a
35 credit is claimed and that is made on or before the fifteenth day of the
36 fourth month following the close of the taxable year may be applied to
37 either the current or preceding taxable year and is considered to have
38 been made on the last day of that taxable year.

39 I. For the purposes of this section:

40 1. "Career and technical education industry certification
41 assessment" means an assessment for career and technical preparation
42 programs for pupils.

43 2. "Character education programs" means a program described in
44 section 15-719.

1 3. "Community school meal program" means a school meal program that
2 takes place before or after the regular school day on school property.

3 4. "Extracurricular activities" means school-sponsored activities
4 that may require enrolled students to pay a fee in order to participate,
5 including fees for:

6 (a) Band uniforms.

7 (b) Equipment or uniforms for varsity athletic activities.

8 (c) Scientific laboratory materials.

9 (d) In-state or out-of-state trips that are solely for competitive
10 events. Extracurricular activities do not include any senior trips or
11 events that are recreational, amusement or tourist activities.

12 5. "Public school" means a school that is part of a school
13 district, a career technical education district or a charter school.

14 6. "Standardized testing for college credit or readiness" includes
15 the SAT, PSAT, ACT, advanced placement and international baccalaureate
16 diploma tests and other similar tests.

17 7. "Student consumable health care supplies" includes tissues, hand
18 wipes, bandages and other health care consumables that are generally used
19 by children.

20 8. "Widely recognized and accepted educational testing
21 organization" means the college board, the ACT, the international
22 baccalaureate and other organizations that are widely recognized and
23 accepted by colleges and universities in the United States and that offer
24 college credit and readiness examinations.

25 Sec. 20. Section 43-1122, Arizona Revised Statutes, is amended to
26 read:

27 43-1122. Subtractions from Arizona gross income; corporations

28 In computing Arizona taxable income for a corporation, the following
29 amounts shall be subtracted from Arizona gross income:

30 1. The excess of a partner's share of income required to be
31 included under section 702(a)(8) of the internal revenue code over the
32 income required to be included under chapter 14, article 2 of this title.

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

36 3. The amount allowed by section 43-1025 for contributions during
37 the taxable year of agricultural crops to charitable organizations.

38 4. The portion of any wages or salaries paid or incurred by the
39 taxpayer for the taxable year that is equal to the amount of the federal
40 work opportunity credit, the empowerment zone employment credit, the
41 credit for employer paid social security taxes on employee cash tips and
42 the Indian employment credit that the taxpayer received under sections
43 45A, 45B, 51(a) and 1396 of the internal revenue code.

44 5. With respect to property that is sold or otherwise disposed of
45 during the taxable year by a taxpayer that complied with section 43-1121,

1 paragraph 4 with respect to that property, the amount of depreciation that
2 has been allowed pursuant to section 167(a) of the internal revenue code
3 to the extent that the amount has not already reduced Arizona taxable
4 income in the current taxable year or prior taxable years.

5 6. With respect to a financial institution as defined in section
6 6-101, expenses and interest relating to tax-exempt income disallowed
7 pursuant to section 265 of the internal revenue code.

8 7. Dividends received from another corporation owned or controlled
9 directly or indirectly by a recipient corporation. For the purposes of
10 this paragraph, "control" means direct or indirect ownership or control of
11 fifty percent or more of the voting stock of the payor corporation by the
12 recipient corporation. Dividends shall have the meaning provided in
13 section 316 of the internal revenue code. This subtraction shall apply
14 without regard to section 43-961, paragraph 2 and article 4 of this
15 chapter.

16 8. Interest income received on obligations of the United States.

17 9. The amount of dividend income from foreign corporations. For
18 the purposes of this paragraph, gross up income as described in section 78
19 of the internal revenue code, global intangible low-taxed income as
20 defined in section 951A of the internal revenue code and subpart F income
21 as defined in section 952 of the internal revenue code shall be considered
22 foreign dividends.

23 10. The amount of net operating loss allowed by section 43-1123.

24 11. The amount of any state income tax refunds received that were
25 included as income in computing federal taxable income.

26 12. The amount of expense recapture included in income pursuant to
27 section 617 of the internal revenue code for mine exploration expenses.

28 13. The amount of deferred exploration expenses allowed by section
29 43-1127.

30 14. The amount of exploration expenses related to the exploration
31 of oil, gas or geothermal resources, computed in the same manner and on
32 the same basis as a deduction for mine exploration pursuant to section 617
33 of the internal revenue code. This computation is subject to the
34 adjustments contained in section 43-1121, paragraph 10 and paragraphs 12
35 and 13 of this section relating to exploration expenses.

36 15. The amortization of pollution control devices allowed by
37 section 43-1129.

38 16. The amount of amortization of the cost of child care facilities
39 pursuant to section 43-1130.

40 17. The amount of income from a domestic international sales
41 corporation required to be included in the income of its shareholders
42 pursuant to section 995 of the internal revenue code.

43 18. The income of an insurance company that is exempt under section
44 43-1201 to the extent that it is included in computing Arizona gross
45 income on a consolidated return pursuant to section 43-947.

1 19. The amount by which a capital loss carryover allowable pursuant
2 to section 43-1130.01, subsection F exceeds the capital loss carryover
3 allowable pursuant to section 1341(b)(5) of the internal revenue code.

4 20. An amount equal to the depreciation allowable pursuant to
5 section 167(a) of the internal revenue code for the taxable year computed
6 as if the election described in section 168(k)(7) of the internal revenue
7 code had been made for each applicable class of property in the year the
8 property was placed in service.

9 21. The amount of eligible access expenditures paid or incurred
10 during the taxable year to comply with the requirements of the Americans
11 with disabilities act of 1990 (P.L. 101-336) or title 41, chapter 9,
12 article 8 as provided by section 43-1124.

13 22. For taxable years beginning from and after December 31, 2017,
14 the amount of any net capital gain included in Arizona gross income for
15 the taxable year that is derived from the exchange of one kind of legal
16 tender for another kind of legal tender. For the purposes of this
17 paragraph:

18 (a) "Legal tender" means a medium of exchange, including specie,
19 that is authorized by the United States Constitution or Congress to pay
20 debts, public charges, taxes and dues.

21 (b) "Specie" means coins having precious metal content.

22 23. WITH RESPECT TO A PUBLIC SERVICE CORPORATION OPERATING A WATER
23 SYSTEM OR SEWAGE DISPOSAL FACILITY, THE AMOUNT OF MONIES OR PROPERTY
24 RECEIVED AS A CONTRIBUTION IN AID OF CONSTRUCTION. FOR THE PURPOSES OF
25 THIS PARAGRAPH:

26 (a) "CONTRIBUTION IN AID OF CONSTRUCTION" MEANS ANY AMOUNT OF
27 MONIES OR OTHER PROPERTY CONTRIBUTED TO A PUBLIC SERVICE CORPORATION THAT
28 PROVIDES WATER OR SEWAGE DISPOSAL SERVICES TO THE EXTENT THAT THE PURPOSE
29 OF THE CONTRIBUTION IS TO PROVIDE FOR EXPANDING, IMPROVING OR REPLACING
30 THE PUBLIC SERVICE CORPORATION'S WATER SYSTEM OR SEWAGE DISPOSAL
31 FACILITIES, INCLUDING ANY AMOUNT OF MONIES OR OTHER PROPERTY CONTRIBUTED
32 TO A PUBLIC SERVICE CORPORATION FOR A WATER SYSTEM OR SEWAGE DISPOSAL
33 FACILITY SUBJECT TO A CONTINGENT OBLIGATION TO REPAY THE AMOUNT, IN WHOLE
34 OR IN PART, TO THE CONTRIBUTOR.

35 (b) "PUBLIC SERVICE CORPORATION" MEANS A PUBLIC SERVICE CORPORATION
36 AS DEFINED IN ARTICLE XV, SECTION 2, CONSTITUTION OF ARIZONA, THAT IS
37 REGULATED BY THE CORPORATION COMMISSION.

38 Sec. 21. Title 43, chapter 11, article 6, Arizona Revised Statutes,
39 is amended by adding section 43-1162, to read:

40 43-1162. Healthy forest production tax credit; definitions

41 A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2020, A
42 CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR PROCESSING
43 QUALIFYING FOREST PRODUCTS.

44 B. THE TAXPAYER IS ELIGIBLE FOR THE CREDIT IF ALL OF THE FOLLOWING
45 APPLY:

1 1. THE TAXPAYER HAS A CURRENT HEALTHY FOREST ENTERPRISE INCENTIVE
2 CERTIFICATION AND MEMORANDUM OF UNDERSTANDING WITH THE ARIZONA COMMERCE
3 AUTHORITY PURSUANT TO SECTION 41-1516.

4 2. THE TAXPAYER PROCESSES QUALIFYING FOREST PRODUCTS FROM A
5 QUALIFYING PROJECT FROM AND AFTER DECEMBER 31, 2020 AND BEFORE JANUARY 1,
6 2031.

7 3. THE FACILITY THAT PROCESSES QUALIFYING FOREST PRODUCTS IS
8 LOCATED WITHIN THIS STATE.

9 C. THE TAXPAYER IS ELIGIBLE FOR THE CREDIT FOR THE CALENDAR YEAR IN
10 WHICH THE QUALIFYING PROJECT PROCESSES QUALIFYING FOREST PRODUCTS PURSUANT
11 TO SUBSECTION B OF THIS SECTION.

12 D. IF THE ALLOWABLE CREDIT UNDER THIS SECTION EXCEEDS THE TAXES
13 OTHERWISE DUE UNDER THIS TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE
14 NO TAXES DUE UNDER THIS TITLE, THE TAXPAYER MAY CARRY FORWARD THE AMOUNT
15 OF THE CLAIM NOT USED TO OFFSET THE TAXES UNDER THIS TITLE FOR NOT MORE
16 THAN FIVE CONSECUTIVE TAXABLE YEARS' INCOME TAX LIABILITY.

17 E. THE CREDIT AUTHORIZED BY THIS SECTION IS BASED ON THE NUMBER OF
18 TONS OF QUALIFYING FOREST PRODUCTS THAT A TAXPAYER PROCESSES DURING A
19 CALENDAR YEAR. FOR A TAXPAYER THAT FILES ON A FISCAL YEAR BASIS, THE
20 CREDIT SHALL BE CLAIMED ON THE RETURN FOR THE TAXABLE YEAR IN WHICH THE
21 CALENDAR YEAR ENDS.

22 F. SUBJECT TO SUBSECTION H OF THIS SECTION, THE AMOUNT OF THE
23 CREDIT IS \$10,000 FOR THE FIRST TWENTY THOUSAND TONS AND \$5,000 FOR EVERY
24 TEN THOUSAND TONS THEREAFTER OF QUALIFYING FOREST PRODUCTS THE TAXPAYER
25 PROCESSES IN THE CALENDAR YEAR.

26 G. TO BE ELIGIBLE FOR THE CREDIT UNDER THIS SECTION, THE TAXPAYER
27 MUST APPLY TO THE DEPARTMENT, ON A FORM PRESCRIBED BY THE DEPARTMENT, FOR
28 CERTIFICATION OF THE CREDIT. THE DEPARTMENT SHALL ACCEPT APPLICATIONS
29 BEGINNING JANUARY 2 THROUGH JANUARY 31 OF THE YEAR FOLLOWING THE CALENDAR
30 YEAR FOR WHICH THE CREDIT IS BEING REQUESTED. THE APPLICATION SHALL
31 INCLUDE:

32 1. THE TAXPAYER'S NAME, ADDRESS AND SOCIAL SECURITY NUMBER OR
33 FEDERAL EMPLOYER IDENTIFICATION NUMBER.

34 2. THE LOCATION OF THE TAXPAYER'S FACILITY THAT PROCESSES
35 QUALIFYING FOREST PRODUCTS FOR WHICH THE CREDIT IS CLAIMED.

36 3. THE AMOUNT OF THE CREDIT THAT IS CLAIMED.

37 4. THE DATE THE TAXPAYER BEGAN PROCESSING COMMERCIALY MARKETABLE
38 AMOUNTS OF QUALIFYING FOREST PRODUCTS.

39 5. ANY ADDITIONAL INFORMATION THAT THE DEPARTMENT REQUIRES.

40 H. THE DEPARTMENT SHALL REVIEW EACH APPLICATION UNDER SUBSECTION G
41 OF THIS SECTION AND CERTIFY TO THE TAXPAYER THE AMOUNT OF THE CREDIT
42 AUTHORIZED. THE AMOUNT OF THE CREDIT FOR ANY CALENDAR YEAR MAY NOT EXCEED
43 \$500,000 PER TAXPAYER THAT PROCESSES QUALIFYING FOREST PRODUCTS. CREDITS
44 ARE ALLOWED UNDER THIS SECTION AND SECTION 43-1076.01 ON A FIRST-COME,
45 FIRST-SERVED BASIS. THE DEPARTMENT MAY NOT AUTHORIZE TAX CREDITS UNDER

1 THIS SECTION AND SECTION 43-1076.01 THAT EXCEED IN THE AGGREGATE A TOTAL
2 OF \$2,000,000 FOR ANY CALENDAR YEAR.

3 I. THE FIRST TIME A TAXPAYER SUBMITS A QUALIFIED APPLICATION UNDER
4 SUBSECTION G OF THIS SECTION, THE DEPARTMENT SHALL ADD THE TAXPAYER'S NAME
5 TO A CREDIT AUTHORIZATION LIST IN THE ORDER IN WHICH QUALIFIED
6 APPLICATIONS ARE FIRST RECEIVED BY THE DEPARTMENT ON BEHALF OF THE
7 TAXPAYER. A TAXPAYER'S POSITION ON THE CREDIT AUTHORIZATION LIST SHALL BE
8 DETERMINED IN THE FIRST YEAR THE TAXPAYER SUBMITS AN APPLICATION UNDER
9 SUBSECTION G OF THIS SECTION FOR PROCESSING QUALIFYING FOREST PRODUCTS.
10 THE TAXPAYER'S POSITION ON THE LIST SHALL REMAIN UNCHANGED FOR THE
11 REMAINDER OF THE PERIOD SPECIFIED IN SUBSECTION B, PARAGRAPH 2 OF THIS
12 SECTION OR UNTIL A YEAR IN WHICH THE TAXPAYER FAILS TO SUBMIT A TIMELY
13 APPLICATION UNDER SUBSECTION G OF THIS SECTION OR OTHERWISE FAILS TO
14 COMPLY WITH THIS SECTION. IF A TAXPAYER IS REMOVED FROM THE CREDIT
15 AUTHORIZATION LIST FOR PROCESSING QUALIFYING FOREST PRODUCTS, THE TAXPAYER
16 MAY ESTABLISH A NEW POSITION ON THE CREDIT AUTHORIZATION LIST IN A
17 SUBSEQUENT YEAR BY FILING A TIMELY APPLICATION FOR PROCESSING QUALIFYING
18 FOREST PRODUCTS THAT QUALIFIES FOR THE CREDIT.

19 J. IF AN APPLICATION IS RECEIVED THAT, IF AUTHORIZED, WOULD REQUIRE
20 THE DEPARTMENT TO EXCEED THE \$2,000,000 LIMIT, THE DEPARTMENT SHALL GRANT
21 THE APPLICANT ONLY THE REMAINING CREDIT AMOUNT THAT WOULD NOT EXCEED THE
22 \$2,000,000 LIMIT. AFTER THE DEPARTMENT AUTHORIZES \$2,000,000 IN TAX
23 CREDITS, THE DEPARTMENT SHALL DENY ANY SUBSEQUENT APPLICATIONS RECEIVED
24 FOR THAT CALENDAR YEAR. THE DEPARTMENT MAY NOT AUTHORIZE ANY ADDITIONAL
25 TAX CREDITS THAT EXCEED THE \$2,000,000 LIMIT EVEN IF THE AMOUNTS THAT HAVE
26 BEEN CERTIFIED TO ANY TAXPAYER WERE NOT CLAIMED OR A TAXPAYER OTHERWISE
27 FAILS TO MEET THE REQUIREMENTS TO CLAIM THE ADDITIONAL CREDIT.

28 K. CO-OWNERS OF A FACILITY THAT PROCESSES QUALIFYING FOREST
29 PRODUCTS, INCLUDING CORPORATE PARTNERS IN A PARTNERSHIP, MAY EACH CLAIM
30 THE PRO RATA SHARE OF THE CREDIT ALLOWED UNDER THIS SECTION BASED ON
31 OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS ALLOWED ALL SUCH OWNERS THAT
32 PROCESS QUALIFYING FOREST PRODUCTS MAY NOT EXCEED THE AMOUNT THAT WOULD
33 HAVE BEEN ALLOWED FOR A SOLE OWNER.

34 L. THE DEPARTMENT SHALL ADOPT RULES AND PUBLISH AND PRESCRIBE FORMS
35 AND PROCEDURES AS NECESSARY TO EFFECTUATE THE PURPOSES OF THIS SECTION.

36 M. FOR THE PURPOSES OF THIS SECTION:

37 1. "PROCESSED" OR "PROCESSING" MEANS ANY CHANGE IN THE PHYSICAL
38 STRUCTURE OF QUALIFYING FOREST PRODUCTS REMOVED FROM A QUALIFYING PROJECT
39 INTO A MARKETABLE COMMERCIAL PRODUCT OR COMPONENT OF A PRODUCT THAT HAS
40 COMMERCIAL VALUE TO A CONSUMER OR PURCHASER AND THAT IS READY TO BE USED
41 WITH OR WITHOUT FURTHER ALTERING ITS FORM.

42 2. "QUALIFYING FOREST PRODUCTS" MEANS QUALIFYING FOREST PRODUCTS AS
43 DEFINED IN SECTION 41-1516 THAT ARE SOURCED WITHIN THIS STATE.

44 3. "QUALIFYING PROJECT" HAS THE SAME MEANING PRESCRIBED IN SECTION
45 41-1516.

1 Sec. 22. Section 43-1184, Arizona Revised Statutes, is amended to
2 read:

3 43-1184. Credit for contributions to school tuition
4 organization; displaced students; students with
5 disabilities

6 A. Beginning from and after June 30, 2009, a credit is allowed
7 against the taxes imposed by this title for the amount of voluntary cash
8 contributions made by the taxpayer during the taxable year to a school
9 tuition organization that is certified pursuant to chapter 15 of this
10 title at the time of donation.

11 B. The amount of the credit is the total amount of the taxpayer's
12 contributions for the taxable year under subsection A of this section and
13 is preapproved by the department of revenue pursuant to subsection D of
14 this section.

15 C. The department of revenue:

16 1. Shall not allow tax credits under this section and section
17 20-224.07 that exceed in the aggregate a combined total of ~~five million~~
18 ~~dollars~~ \$5,000,000 in any fiscal year THROUGH FISCAL YEAR 2020-2021.
19 BEGINNING IN FISCAL YEAR 2021-2022, THE AGGREGATE DOLLAR AMOUNT OF THE TAX
20 CREDITS ALLOWED IS \$6,000,000 IN ANY FISCAL YEAR.

21 2. Shall preapprove tax credits under this section and section
22 20-224.07 subject to subsection D of this section.

23 3. Shall allow the tax credits under this section and section
24 20-224.07 on a ~~first come, first served~~ FIRST-COME, FIRST-SERVED basis.

25 D. For the purposes of subsection C, paragraph 2 of this section,
26 before making a contribution to a school tuition organization, the
27 taxpayer under this title or title 20 must notify the school tuition
28 organization of the total amount of contributions that the taxpayer
29 intends to make to the school tuition organization. Before accepting the
30 contribution, the school tuition organization shall request preapproval
31 from the department of revenue for the taxpayer's intended contribution
32 amount. The department of revenue shall preapprove or deny the requested
33 amount within twenty days after receiving the request from the school
34 tuition organization. If the department of revenue preapproves the
35 request, the school tuition organization shall immediately notify the
36 taxpayer that the requested amount was preapproved by the department of
37 revenue. In order to receive a tax credit under this subsection, the
38 taxpayer shall make the contribution to the school tuition organization
39 within twenty days after receiving notice from the school tuition
40 organization that the requested amount was preapproved. If the school
41 tuition organization does not receive the preapproved contribution from
42 the taxpayer within the required twenty days, the school tuition
43 organization shall immediately notify the department of revenue and the
44 department shall no longer include this preapproved contribution amount

1 when calculating the limit prescribed in subsection C, paragraph 1 of this
2 section.

3 E. If the allowable tax credit exceeds the taxes otherwise due
4 under this title on the claimant's income, or if there are no taxes due
5 under this title, the taxpayer may carry the amount of the claim not used
6 to offset the taxes under this title forward for not more than five
7 consecutive taxable years' income tax liability.

8 F. Co-owners of a business, including corporate partners in a
9 partnership and stockholders of an S corporation as defined in section
10 1361 of the internal revenue code, may each claim only the pro rata share
11 of the credit allowed under this section based on the ownership interest.
12 The total of the credits allowed all such owners may not exceed the amount
13 that would have been allowed a sole owner.

14 G. The credit allowed by this section is in lieu of any deduction
15 pursuant to section 170 of the internal revenue code and taken for state
16 tax purposes.

17 H. A taxpayer shall not claim a credit under this section and also
18 under section 43-1183 with respect to the same contribution.

19 I. The tax credit is not allowed if the taxpayer designates the
20 taxpayer's contribution to the school tuition organization for the direct
21 benefit of any specific student.

22 J. The department of revenue shall adopt rules necessary ~~for the~~
23 ~~administration of~~ TO ADMINISTER this section.

24 Sec. 23. Section 43-1504, Arizona Revised Statutes, is amended to
25 read:

26 43-1504. Special provisions; corporate donations for
27 low-income scholarships; rules

28 A. A school tuition organization that receives contributions from a
29 corporation for the purposes of section 20-224.06 or 43-1183 must use at
30 least ninety percent of those contributions to provide educational
31 scholarships or tuition grants only to children whose family income does
32 not exceed one hundred eighty-five percent of the income limit required to
33 qualify a child for ~~reduced-price~~ REDUCED-PRICE lunches under the national
34 school lunch and child nutrition acts (42 United States Code sections 1751
35 through ~~1785~~ 1793) and to whom any of the following applies:

36 1. Attended a governmental primary or secondary school as a
37 full-time student as defined in section 15-901 or attended a preschool
38 program that offers services to students with disabilities at a
39 governmental school for at least ninety days of the prior fiscal year or
40 one full semester and transferred from a governmental school to a
41 qualified school.

42 2. Enroll in a qualified school in a kindergarten program or a
43 preschool program that offers services to students with disabilities.

44 3. ~~is~~ ARE the dependent of a member of the armed forces of the
45 United States who is stationed in this state pursuant to military orders.

1 4. ARE HOMESCHOOLED BEFORE ENROLLING IN A QUALIFIED SCHOOL.

2 5. MOVED TO THIS STATE FROM OUT OF STATE BEFORE ENROLLING IN A
3 QUALIFIED SCHOOL.

4 6. PARTICIPATED IN AN ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT AND
5 DID NOT RENEW THE ACCOUNT OR ACCEPT THE SCHOLARSHIP IN ORDER TO ACCEPT A
6 SCHOLARSHIP OR TUITION GRANT UNDER THIS SECTION.

7 ~~4.~~ 7. Received an educational scholarship or tuition grant under
8 paragraph 1, 2, ~~or~~ 3, 4, 5 OR 6 of this subsection or chapter 16, article
9 1 of this title if the children continue to attend a qualified school in a
10 subsequent year.

11 B. A child is eligible to receive an educational scholarship or
12 tuition grant under subsection A of this section if the child meets the
13 criteria to receive a ~~reduced-price~~ REDUCED-PRICE lunch but does not
14 actually claim that benefit.

15 C. In ~~2006~~ 2021, a school tuition organization shall not issue an
16 educational scholarship or a tuition grant for the purposes of section
17 20-224.06 or 43-1183 in an amount that exceeds ~~\$4,200~~ \$5,600 for students
18 WHO ARE in a kindergarten program, a preschool program that offers
19 services to students with disabilities or grades one through eight or
20 ~~\$5,500~~ \$7,500 for students WHO ARE in grades nine through twelve. In each
21 year after ~~2006~~ 2021, the ~~limitation~~ LIMIT amount for a scholarship or a
22 grant under this subsection shall be increased by ~~\$100~~ \$200.

23 D. A school tuition organization shall require that student
24 beneficiaries use the educational scholarships or tuition grants on a
25 full-time basis. If a child leaves the school before completing an entire
26 school year, the school shall refund a prorated amount of the educational
27 scholarship or tuition grant to the school tuition organization that
28 issued the scholarship or grant. The school tuition organization shall
29 allocate any refunds it receives under this subsection for educational
30 scholarships or tuition grants.

31 E. Students who receive an educational scholarship or tuition grant
32 under this section shall be allowed to attend any qualified school of
33 their parents' choice.

34 F. The department of revenue, with the cooperation of the
35 department of insurance and financial institutions, shall adopt rules and
36 publish and prescribe forms and procedures necessary ~~for the~~
37 ~~administration of~~ TO ADMINISTER this section.

38 Sec. 24. Section 43-1603, Arizona Revised Statutes, is amended to
39 read:

40 43-1603. Operational requirements for school tuition
41 organizations; notice; qualified schools

42 A. A certified school tuition organization must be established to
43 receive contributions from taxpayers for the purposes of income tax
44 credits under sections 43-1089 and 43-1089.03 and to pay educational

1 scholarships or tuition grants to allow students to attend any qualified
2 school of their parents' choice.

3 B. To be eligible for certification and retain certification, the
4 school tuition organization:

5 1. Must allocate at least ninety percent of its annual revenue from
6 contributions made for the purposes of sections 43-1089 and 43-1089.03 for
7 educational scholarships or tuition grants.

8 2. Shall not limit the availability of educational scholarships or
9 tuition grants to only students of one school.

10 3. May allow donors to recommend student beneficiaries, but shall
11 not award, designate or reserve scholarships solely on the basis of donor
12 recommendations.

13 4. Shall not allow donors to designate student beneficiaries as a
14 condition of any contribution to the organization, or facilitate,
15 encourage or knowingly ~~permit~~ ALLOW the exchange of beneficiary student
16 designations in violation of section 43-1089, subsection F, section
17 43-1089.03, subsection F and section 43-1089.04, subsection E.

18 5. Shall include on the organization's website, if one exists, the
19 percentage and total dollar amount of educational scholarships and tuition
20 grants awarded during the previous fiscal year to:

21 (a) Students whose family income meets the economic eligibility
22 requirements established under the national school lunch and child
23 nutrition acts (42 United States Code sections 1751 through 1793) for free
24 or reduced-price lunches.

25 (b) Students whose family income exceeds the threshold prescribed
26 by subdivision (a) of this paragraph but does not exceed one hundred
27 eighty-five percent of the economic eligibility requirements established
28 under the national school lunch and child nutrition acts (42 United States
29 Code sections 1751 through 1793) for free or reduced-price lunches.

30 6. Must not award educational scholarships or tuition grants to
31 students who are simultaneously enrolled in a district school or charter
32 school and a qualified school.

33 C. A school tuition organization shall include the following notice
34 in any printed materials soliciting donations, in applications for
35 scholarships and on its website, if one exists:

36 Notice

37 A school tuition organization cannot award, restrict or
38 reserve scholarships solely on the basis of a donor's
39 recommendation.

40 A taxpayer may not claim a tax credit if the taxpayer
41 agrees to swap donations with another taxpayer to benefit
42 either taxpayer's own dependent.

1 D. In evaluating applications and awarding, designating or
2 reserving scholarships, a school tuition organization:

3 1. Shall not award, designate or reserve a scholarship solely on
4 the recommendation of any person contributing money to the organization,
5 but may consider the recommendation among other factors.

6 2. Shall consider the financial need of applicants.

7 E. A taxpayer's contribution to a school tuition organization that
8 exceeds the amount of the credit allowed by section 43-1089 but does not
9 exceed the amount of the credit allowed by section 43-1089.03 is
10 considered a contribution pursuant to section 43-1089.03. A school
11 tuition organization must use at least ninety percent of contributions
12 made pursuant to section 43-1089.03 for educational scholarships or
13 tuition grants for students to whom any of the following applies:

14 1. Attended a governmental primary or secondary school as A
15 full-time ~~students~~ STUDENT as defined in section 15-901 or attended a
16 preschool program that offers services to students with disabilities at a
17 governmental school for at least ninety days of the prior fiscal year and
18 transferred from a governmental school to a qualified school.

19 2. Enroll in a qualified school in a kindergarten program or a
20 preschool program that offers services to students with disabilities.

21 3. Are the dependent of a member of the armed forces of the United
22 States who is stationed in this state pursuant to military orders.

23 4. ARE HOMESCHOOLED BEFORE ENROLLING IN A QUALIFIED SCHOOL.

24 5. MOVED TO THIS STATE FROM OUT OF STATE BEFORE ENROLLING IN A
25 QUALIFIED SCHOOL.

26 6. PARTICIPATED IN AN ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT AND
27 DID NOT RENEW THE ACCOUNT OR ACCEPT THE SCHOLARSHIP IN ORDER TO ACCEPT A
28 SCHOLARSHIP OR TUITION GRANT UNDER THIS SECTION.

29 ~~4.~~ 7. Received an educational scholarship or tuition grant under
30 paragraph 1, 2, ~~or~~ 3, 4, 5 OR 6 of this subsection or under chapter 15 of
31 this title if the student continues to attend a qualified school in a
32 subsequent year.

33 F. In awarding educational scholarships or tuition grants from
34 contributions made pursuant to section 43-1089.03, a school tuition
35 organization shall give priority to students and siblings of students on a
36 waiting list for scholarships if the school tuition organization maintains
37 a waiting list.

38 G. If an individual educational scholarship or tuition grant
39 exceeds the school's tuition, the amount in excess shall be returned to
40 the school tuition organization that made the award or grant. The school
41 tuition organization may allocate the returned monies as a multiyear award
42 for that student and report the award pursuant to section 43-1604,
43 subsection A, paragraph 5, subdivision (b) or may allocate the returned
44 monies for educational scholarships or tuition grants for other students.

1 Sec. 25. Section 48-807, Arizona Revised Statutes, is amended to
2 read:

3 48-807. County fire district assistance tax; annual budget;
4 override; monthly financial reports

5 A. The board of supervisors of a county shall levy, at the time of
6 levying other property taxes, a county fire district assistance tax on the
7 taxable property in the county of not more than \$.10 per \$100 of assessed
8 valuation. The tax levy provided for in this subsection shall be a levy
9 of secondary property taxes and shall not be subject to title 42, chapter
10 17, article 2. The county treasurer shall pay to each fire district,
11 including a fire district formed pursuant to section 48-851, in the county
12 from the proceeds of the tax an amount equal to twenty percent of the
13 property tax levy adopted by the district for the fiscal year in which the
14 tax will be levied, except that:

15 1. The amount of assistance from the county to a fire district
16 shall be reduced as follows:

17 (a) Through the fiscal year that ends June 30, 2012, by the dollar
18 amount that the fire district receives from the fire district assistance
19 tax that exceeds \$300,000 from and after June 30 of each fiscal year.

20 (b) Beginning with the fiscal year that starts July 1, 2012, by the
21 dollar amount that the fire district receives from the fire district
22 assistance tax that exceeds \$400,000 from and after June 30 of each fiscal
23 year, without regard to whether the district is located in more than one
24 county.

25 (c) Except as provided in paragraph 2 of this subsection, if the
26 total amount to be paid to all districts in the county under this
27 paragraph exceeds the amount to be raised by the levy of \$.10 per \$100
28 assessed valuation, then the county treasurer shall pay an amount less
29 than twenty percent of the property tax levy of each district. The amount
30 to be paid by the county treasurer to each district shall be determined by
31 multiplying the proceeds of the county fire district assistance tax
32 against the proportion that twenty percent of the property tax levy of
33 each district bears to the total of twenty percent of the property tax
34 levies of all fire districts in the county.

35 2. For fiscal years beginning from and after July 1, 1992, the
36 amount of assistance from the county to a fire district shall not be less
37 than the assistance provided from and after June 30, 1991 through June 30,
38 1992, if, for the fiscal year in which the tax will be levied, the
39 district levies a tax, in addition to any tax levied under section 48-806,
40 of \$3 per \$100 of assessed valuation and the assessed valuation is at
41 least ninety percent of the assessed valuation for the 1991 tax year.
42 This paragraph does not apply to fire districts subject to paragraph 1,
43 subdivision (a) or (b) of this subsection.

44 B. For the purpose of subsection A of this section, the property
45 tax levy of the fire district shall include in lieu contributions pursuant

1 to chapter 1, article 8 of this title but shall not include property tax
2 levies to be applied to the payment of principal and interest on bonds
3 issued pursuant to section 48-806.

4 C. Beginning with the fiscal year that starts July 1, 2016, a
5 consolidated district shall not receive more than the maximum allowable
6 amount in fire district assistance tax monies as prescribed in subsection
7 D of this section, without regard to whether the consolidated district is
8 located in more than one county.

9 D. Beginning with the fiscal year that starts July 1, 2016, for any
10 two or more fire districts that merge or consolidate to form a
11 consolidated district on or after July 1, 2014, the consolidated district
12 may continue to receive monies in an amount not to exceed the sum of the
13 average of the amount of fire district assistance tax monies received by
14 each of the consolidating or merging districts in the five fiscal years
15 immediately preceding the merger or consolidation as prescribed in
16 subsection A of this section, without regard to whether the consolidated
17 district is located in more than one county.

18 E. For a consolidated district that is formed in any fiscal year
19 beginning July 1, 2014 or later and that is receiving fire district
20 assistance tax monies that are reduced as prescribed in subsection A,
21 paragraph 1, subdivision (c) of this section, if the total amount of fire
22 district assistance tax monies that would be paid to all districts in the
23 county pursuant to subsection A of this section is less than the amount of
24 monies that would be raised by the levy of \$.10 per \$100 assessed
25 valuation, the county treasurer shall pay the consolidated district the
26 amount of fire district assistance tax monies prescribed by subsection A
27 of this section that would have been paid to the districts at the time the
28 districts merged or consolidated.

29 F. The board, based on the budget submitted by the district, shall
30 levy, in addition to any tax levied as provided in section 48-806, a tax
31 not to exceed \$3.25 per \$100 of assessed valuation THROUGH TAX YEAR 2021,
32 \$3.375 PER \$100 OF ASSESSED VALUATION FOR TAX YEAR 2022 AND \$3.50 PER \$100
33 OF ASSESSED VALUATION FOR TAX YEAR 2023 AND EACH TAX YEAR THEREAFTER, or
34 the amount of the levy in the preceding tax year multiplied by 1.08,
35 whichever levy is less, and minus any amounts required to reduce the levy
36 pursuant to subsection I of this section, against all property situated
37 within the district boundaries and appearing on the last assessment roll.
38 The levy shall be made and the taxes collected in the manner, at the time
39 and by the officers provided by law for the collection of general county
40 taxes.

41 G. The qualified electors of the district, voting in an election as
42 prescribed by subsection H of this section, may authorize the board to
43 levy a tax exceeding the limits prescribed by subsection F of this section
44 under one, but not both, of the following options:

1 1. The electors may authorize a permanent override allowing annual
2 levies without reference to the levy in the preceding tax year, but
3 remaining subject to the tax rate limit of \$3.25 per \$100 of assessed
4 valuation THROUGH TAX YEAR 2021, \$3.375 PER \$100 OF ASSESSED VALUATION FOR
5 TAX YEAR 2022 AND \$3.50 PER \$100 OF ASSESSED VALUATION FOR TAX YEAR 2023
6 AND EACH TAX YEAR THEREAFTER. An election for the purposes of this
7 paragraph must be held at a regularly scheduled general election held on
8 the first Tuesday following the first Monday in November as prescribed by
9 section 16-204, subsection F.

10 2. If the net assessed valuation of all property in the district
11 declines by a combined total of twenty percent or more over two
12 consecutive valuation years, the electors voting at the next regularly
13 scheduled general election held on the first Tuesday following the first
14 Monday in November as prescribed by section 16-204, subsection F may
15 authorize an override for five consecutive tax years allowing annual
16 levies that are exempt from the tax rate limit of \$3.25 THROUGH TAX YEAR
17 2021, \$3.375 FOR TAX YEAR 2022 AND \$3.50 FOR TAX YEAR 2023 AND EACH TAX
18 YEAR THEREAFTER, but subject to an annual levy limit of the amount of the
19 levy in the preceding tax year multiplied by 1.05. After the fifth tax
20 year, the district is again subject to the limits prescribed by subsection
21 F of this section, computed by multiplying the levy beginning in the year
22 preceding the override by 1.08 for each year through the current tax year.

23 H. The call for an override election held for the purposes of
24 subsection G of this section must state:

25 1. The purpose for requesting additional secondary property tax
26 revenue for the district.

27 2. If the voters approve the levy:

28 (a) The maximum dollar amount of secondary property tax that may be
29 collected in the first year compared to the existing maximum secondary
30 property tax levy prescribed in subsection F of this section.

31 (b) The estimated secondary property tax rate to fund the proposed
32 levy under subdivision (a) of this paragraph in the first tax year
33 compared to the secondary property tax rate levied in the current year.

34 I. If the district annexes additional territory, the limit under
35 subsection F of this section shall be adjusted by applying the district's
36 tax rate to the assessed valuation of the annexed property in the
37 preceding tax year. If districts are merged or consolidated under this
38 chapter, the limitation under this subsection in the first year after the
39 districts are merged or consolidated is the total of the levies of the
40 merged or consolidated districts in the preceding tax year multiplied by
41 1.08 or the amount of the levies allowed by the maximum rate prescribed by
42 subsection F of this section, whichever is less.

43 J. The district shall maintain any property tax revenues collected
44 in excess of the sum of the amounts of taxes collectible pursuant to
45 section 42-17054 and the allowable levy determined under subsection F of

1 this section in a separate fund and used to reduce the property tax levy
2 in the following tax year.

3 K. The levy limit under this section is considered to be increased
4 each year to the maximum limit permissible under subsection F of this
5 section regardless of whether the district actually levies taxes up to the
6 maximum permissible amount in that year.

7 L. The county treasurer shall keep the money received from taxes
8 levied pursuant to subsection F of this section in a separate fund known
9 as the "fire district general fund" of the district for which collected.
10 Any surplus remaining in the fire district general fund at the end of the
11 fiscal year shall be credited to the fire district general fund of the
12 district for which it was collected for the succeeding fiscal year and
13 after subtraction of accounts payable and encumbrances, shall be used to
14 reduce the property tax levy in the following tax year.

15 M. A fire district may maintain separate accounts with a financial
16 institution that is authorized to do business in this state for the
17 purpose of operating a payroll account or for holding special revenues or
18 ambulance revenues, or both, as necessary to fulfill the district's
19 fiduciary responsibilities.

20 N. A fire district, through the county treasurer, shall establish
21 the relevant governmental funds necessary for the proper management and
22 fiscal accountability of district monies from property taxes, grants,
23 contributions and donations, as defined by the government accounting
24 standards board. Unless the monies received are legally restricted by
25 contract, agreement or law, those monies may be transferred between fund
26 accounts according to the original or amended budget of the fire district.

27 O. A fire district shall reconcile all balance sheet accounts for
28 accounts for each calendar month of the fiscal year within thirty days
29 after the end of that calendar month. The fire district board shall
30 review the reconciled balance sheet accounts monthly, except that for a
31 fire district that is governed by a three-member board, the board may
32 review the reconciled balance sheet accounts every two months.

33 P. A fire district shall produce monthly financial reports to
34 include a register of checks, substitute checks, warrants and deposits, a
35 record of electronic funds transfers, a statement of financial activities
36 and a statement of net assets for each calendar month. A fire district
37 shall produce a cash flow projection report for each fiscal year. The
38 cash flow projection report shall be updated monthly with the actual
39 revenues and expenditures from the preceding month. Each month, the fire
40 district board shall review the financial reports, the updated cash flow
41 projections report and all month-end fund statements and reports of the
42 preceding month to include those reports provided by the county treasurer
43 and each of the financial institutions in which the district maintains an
44 account, except that for a fire district that is governed by a
45 three-member board, the board may review the reports and statements

1 prescribed by this subsection every two months. Any financial report or
2 cash flow projection report that would indicate that the district is
3 likely to violate section 48-805.02, subsection D, paragraph 1 or that
4 would indicate an adverse impact on the ongoing operations or liquidity of
5 the district shall be reported by the fire district board chairman in
6 writing and delivered by certified mail to the county treasurer and the
7 county board of supervisors within ten days after the discovery.

8 Q. Within sixty days after submittal of a written report pursuant
9 to subsection P of this section by the fire district board chairman to the
10 county treasurer and the county board of supervisors that states the fire
11 district is likely to violate section 48-805.02, subsection D, paragraph 1
12 or that indicates an adverse impact on the ongoing operations or liquidity
13 of the fire district, the district shall complete a study of merger,
14 consolidation or joint operating alternatives. The fire district shall
15 hold a special public meeting as prescribed in section 48-805.02,
16 subsection D to present the findings of the study. Within five days after
17 the special public meeting, the fire district board chairman shall submit
18 the findings of the study to the county treasurer and county board of
19 supervisors.

20 R. Notwithstanding section 11-605, a fire district may register or
21 record warrants, substitute checks or electronic funds transfers only if
22 separate accounts are maintained by the county treasurer for each
23 governmental fund of a fire district. Warrants, substitute checks or
24 electronic funds transfers may be registered or recorded only on the
25 maintenance and operation account, the unrestricted capital outlay account
26 and the special revenue account, and only if the total cash balance of all
27 three accounts is insufficient to pay the warrants, substitute checks or
28 electronic funds transfers and after any revolving line of credit has been
29 expended as prescribed in section 11-635.

30 S. When a fire district has adopted a budget and the board of
31 supervisors has levied a fire district tax as provided in subsection F of
32 this section and the district has insufficient money in the district's
33 general fund with the county treasurer to operate the district, the
34 chairman of the board, on or after August 1 of each year, may draw
35 warrants, substitute checks or electronic funds transfers for the purposes
36 prescribed in section 48-805 on the county treasurer, payable on
37 November 1 of that year or on April 1 of the succeeding year. The
38 aggregate amounts of the warrants, substitute checks or electronic funds
39 transfers may not exceed ninety percent of the taxes levied by the county
40 for the district's current fiscal year. If the treasurer cannot pay a
41 warrant, substitute check or electronic funds transfer for lack of funds
42 in the fire district general fund, the warrant or substitute check shall
43 be endorsed and registered, or the electronic funds transfer shall be
44 recorded, and the warrant, substitute check or electronic funds transfer
45 shall bear interest and be redeemed as provided by law for county

1 warrants, substitute checks or electronic funds transfers, except that the
2 warrants, substitute checks or electronic funds transfers are payable only
3 from the fire district general fund.

4 Sec. 26. Refunds

5 Any claim for refund of transaction privilege or use tax based on
6 the retroactive application of section 42-5061, subsection B, paragraph
7 18, Arizona Revised Statutes, as amended by this act, and section 42-5159,
8 subsection B, paragraph 18, Arizona Revised Statutes, as amended by this
9 act, shall be submitted to the department of revenue on or before December
10 31, 2021, pursuant to section 42-1118, Arizona Revised Statutes, and is
11 subject to the following:

12 1. A failure to file such a claim on or before December 31, 2021
13 constitutes a waiver of the claim for refund.

14 2. The aggregate refund amount may not exceed \$10,000 for such
15 claims filed from and after December 31, 2020 through December 31, 2021.

16 3. If the aggregate refund amount of such claims ultimately
17 determined to be correct is more than \$10,000, the department of revenue
18 shall reduce each claim proportionally so that the aggregate refund amount
19 equals \$10,000.

20 4. Interest is not allowed and may not be compounded on any
21 refundable amount of such claims if paid before July 1, 2022, but if the
22 amount cannot be determined or paid until after June 30, 2022, interest
23 accrues after that date pursuant to section 42-1123, Arizona Revised
24 Statutes.

25 5. Any refund claim that is filed before January 1, 2021 or that is
26 not related to the changes under this act is not subject to the \$10,000
27 aggregate refund amount.

28 Sec. 27. Renewable energy production tax credit; calendar
29 year 2021; application deadline; retroactivity

30 A. Notwithstanding any other law, for calendar year 2021, to be
31 eligible for the renewable energy production tax credit under section
32 43-1083.02 or 43-1164.03, Arizona Revised Statutes, the taxpayer must
33 apply to the department of revenue before February 7 of the year following
34 the calendar year for which the credit is being requested.

35 B. This section applies retroactively to from and after January 1,
36 2021.

37 Sec. 28. Contributions to qualifying foster care charitable
38 organizations; taxable year 2021; definitions;
39 retroactivity; delayed repeal

40 A. Notwithstanding any other law, for the purposes of the tax
41 credit for contributions to qualifying foster care charitable
42 organizations under section 43-1088, subsection B, Arizona Revised
43 Statutes, for taxable year 2021, the following definitions apply:

1 1. "Qualifying foster care charitable organization" means a
2 qualifying charitable organization as defined in section 43-1088, Arizona
3 Revised Statutes, that each operating year provides services to at least
4 two hundred qualified individuals in this state and spends at least fifty
5 percent of its budget on services to qualified individuals in this state.

6 2. "Qualified individual" means any of the following:

7 (a) A foster child as defined in section 8-501, Arizona Revised
8 Statutes.

9 (b) A person who is participating in an independent living program
10 as prescribed by section 8-521, Arizona Revised Statutes.

11 (c) A person who is participating in a transitional independent
12 living program as prescribed by section 8-521.01, Arizona Revised
13 Statutes.

14 (d) A person who is participating in an extended foster care
15 program as prescribed by section 8-521.02, Arizona Revised Statutes.

16 (e) A person who is under twenty-seven years of age and whose
17 reason for leaving foster care is any of the following:

18 (i) Reaching eighteen years of age.

19 (ii) Adoption or legal guardianship after reaching sixteen years of
20 age.

21 (iii) Reunification at fourteen years of age or fifteen years of
22 age.

23 B. This section applies retroactively to taxable years from and
24 after December 31, 2020.

25 C. This section is repealed from and after December 31, 2021.

26 Sec. 29. Purpose

27 Pursuant to section 43-223, Arizona Revised Statutes, the
28 legislature enacts sections 43-1076.01 and 43-1162, Arizona Revised
29 Statutes, as added by this act, to encourage the existing forest product
30 industry to increase its capacity and invest in additional forest
31 processing infrastructure and to provide incentives for new industry to
32 locate in Arizona to increase the pace and scale of forest restoration in
33 support of sound forest management and watershed protection.

34 Sec. 30. Retroactivity

35 A. Section 42-5159, Arizona Revised Statutes, as amended by this
36 act, and section 42-5061, as amended by Laws 2019, chapter 273, section 7
37 and chapter 288, section 1 and this act, apply retroactively to taxable
38 periods beginning from and after December 31, 2015.

39 B. Section 43-1122, Arizona Revised Statutes, as amended by this
40 act, applies retroactively to taxable years beginning from and after
41 December 31, 2020.

42 C. Section 43-1022, Arizona Revised Statutes, as amended by this
43 act, sections 43-1076.01 and 43-1162, Arizona Revised Statutes, as added
44 by this act, and sections 43-1504 and 43-1603, Arizona Revised Statutes,

1 as amended by this act, apply retroactively to taxable years beginning
2 from and after December 31, 2020.

3 D. Section 43-1184, Arizona Revised Statutes, as amended by this
4 act, applies retroactively to from and after June 30, 2021.

5 Sec. 31. Effective date

6 Section 23-780, Arizona Revised Statutes, as amended by this act, is
7 effective from and after June 30, 2022.

8 Sec. 32. Conditional enactment; retroactivity

9 Section 42-5061, Arizona Revised Statutes, as amended by Laws 2019,
10 chapter 273, section 8 and chapter 288, section 2 and this act, becomes
11 effective on the date prescribed by Laws 2018, chapter 263, section 5 and
12 applies retroactively to taxable periods beginning from and after December
13 31, 2015, but only on the occurrence of the condition prescribed by Laws
14 2018, chapter 263, section 5.

APPROVED BY THE GOVERNOR JUNE 30, 2021.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 30, 2021.