CHAP\nER 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)
Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 15-972, Arizona Revised Statutes, is amended to read:

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

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

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

1. For a high school district or for a common school district within a high school district that does not offer instruction in high school subjects as provided in section 15-447:
   (a) Determine the qualifying tax rate pursuant to section 41-1276 for the school district.
   (b) Determine 47.19 percent THE FOLLOWING PERCENTAGE of the qualifying tax rate determined in subdivision (a) of this paragraph: --
      (i) 47.19 PERCENT THROUGH DECEMBER 31, 2021.
      (ii) FIFTY PERCENT BEGINNING FROM AND AFTER DECEMBER 31, 2021.
   (c) Select the lesser of the amount determined in subdivision (b) of this paragraph or 47.19 FIFTY percent of the primary property tax rate that would be levied in lieu of this section for the district.
   (d) Multiply the rate selected in subdivision (c) of this paragraph as a rate per $100 assessed valuation by the assessed valuation used for primary property taxes of the residential property in the school district.

2. For a unified school district, for a common school district not within a high school district or for a common school district that offers instruction in high school subjects as provided in section 15-447:
   (a) Determine the qualifying tax rate pursuant to section 41-1276 for the school district.
   (b) Determine 47.19 percent THE FOLLOWING PERCENTAGE of the qualifying tax rate determined in subdivision (a) of this paragraph: --
      (i) 47.19 PERCENT THROUGH DECEMBER 31, 2021.
      (ii) FIFTY PERCENT BEGINNING FROM AND AFTER DECEMBER 31, 2021.
   (c) Select the lesser of the amount determined in subdivision (b) of this paragraph or 47.19 FIFTY percent of the primary property tax rate that would be levied in lieu of this section for the district.
   (d) Multiply the rate selected in subdivision (c) of this paragraph as a rate per $100 assessed valuation by the assessed valuation used for primary property taxes of the residential property in the district.

C. The clerk of the board of supervisors shall report to the department of revenue not later than the Friday following the third Monday in August of each year the amount by school district of additional state aid for education and the data used for computing the amount as provided
in subsection B of this section. The department of revenue shall verify all of the amounts and report to the county board of supervisors not later than August 30 of each year the property tax rate or rates that shall be used for property tax reduction as provided in subsection E of this section.

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

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

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

G. The clerk of the board of supervisors shall report to the department of revenue not later than September 30 of each year in writing the following:
1. The data processing specifications used in the calculations provided for in subsections B and E of this section.

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

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

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

1. Having only one class of outstanding stock.

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

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

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

K. Notwithstanding subsection E of this section, the maximum amount of additional state aid for education that will be funded by this state pursuant to subsection E of this section shall be $1,000,000 per county. For any county with a school district or districts that collectively would otherwise receive more than $1,000,000 in additional state aid for education pursuant to subsection E of this section, the property tax
oversight commission established by section 42-17002 shall determine the 1
proportion of the violation of article IX, section 18, Constitution of 2
Arizona, that is attributable to each taxing jurisdiction within the 3
affected school district or districts. Based on those proportions, the 4
property tax oversight commission shall determine an amount that each 5
taxing jurisdiction within the affected school district or districts shall 6
transfer to the affected school district or districts during the fiscal 7
year in order to compensate the affected school district or districts for 8
its pro rata share of the reduction in additional state aid for education 9
funding required by this subsection. In determining the proportion of the 10
violation of article IX, section 18, Constitution of Arizona, that is 11
attributable to each taxing jurisdiction within the affected school 12
district or districts, the property tax oversight commission shall assume 13
a proportion of zero for any taxing jurisdiction that has a tax rate for 14
the fiscal year that is equal to or less than the tax rate of peer 15
jurisdictions, as determined by the property tax oversight commission.

L. For the purposes of this section:
1. "Owner" includes any purchaser under a contract of sale or under 18
a deed of trust.
2. "Residential property" includes owner-occupied real property and 19
improvements to the property and owner-occupied mobile homes that are used 20
as the owner's primary residence and classified as class three property 21
pursuant to section 42-12003.

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

23-622. Wages
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.

B. "Wages" shall do not include:
1. For the purpose of sections 23-604, 23-726, AND 23-728 and 34
23-730.01, that part of the remuneration, other than remuneration 35
referred to in succeeding paragraphs 3 THROUGH 16 of this subsection, in 36
excess of: seven thousand dollars
(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.
(b) $8,000 PAID IN THE 2023 CALENDAR YEAR OR IN A CALENDAR YEAR THEREAFTER TO AN INDIVIDUAL BY AN EMPLOYER OR THE EMPLOYER’S PREDECESSOR WITH RESPECT TO EMPLOYMENT DURING THE CALENDAR YEAR, UNLESS THAT PART OF THE EXCESS REMUNERATION IS SUBJECT TO A TAX, UNDER FEDERAL LAW, AGAINST WHICH CREDIT MAY BE TAKEN FOR CONTRIBUTIONS REQUIRED TO BE PAID INTO A STATE UNEMPLOYMENT FUND BY EMPLOYERS SUBJECT TO THE FEDERAL LAW.

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

3. The amount of any payment, including monies paid by an employer for insurance or annuities or into a fund to provide payments for insurance or annuities, made to or on behalf of an employee or any of his THE EMPLOYEE’S dependents under a plan or system established by an employer which THAT makes provision for his THE EMPLOYER’S employees generally, for his THE EMPLOYER’S employees generally and their dependents, for a class of his THE EMPLOYER’S employees or for a class of his THE EMPLOYER’S employees and their dependents, on account of any of the following:

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

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

(c) Death.

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

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

6. Any payment made to, or on behalf of, an employee or his THE EMPLOYEE’S beneficiary:

(a) From or to a trust described in section 401(a) of the internal revenue code relating to qualified pension, profit sharing and stock bonus plans which THAT is exempt from tax under section 501(a) of the internal revenue code at the time of the payment unless the payment is made to an
employee of the trust as remuneration for services rendered as an employee
and not as a beneficiary of the trust.

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

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

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

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

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

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

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

8. Remuneration paid for agricultural labor performed in any
medium other than cash.

9. Any tip, gratuity or service charge received by an employee
except:

(a) Before January 1, 1986, if either of the following applies:
   (i) It is specified and collected by the employing unit.
   (ii) It is used by the employing unit in order to conform to the
minimum wage requirements of federal or state law.

(b) From and after December 31, 1985, if it is reported by the
employee in writing to the employer on or before the tenth day of the
month following the month in which it was received.
9. Remuneration which the individual receives for drill, training or other national guard or reserve activity which occurs on not more than one weekend per month or in lieu of a weekend drill or the equivalent.

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

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

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

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

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

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

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

C. Subsection B, paragraphs 3 through 16 of this section do not exclude from wages any of the following:

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

2. An amount treated as an employer contribution under section 414(h)(2) of the internal revenue code, relating to tax treatment of contributions by government units, if the employer picks up the
contribution pursuant to a written or unwritten salary reduction agreement.

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

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

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

23-771. Eligibility for benefits
A. An unemployed individual is eligible to receive benefits with respect to any week only if the department finds that the individual:

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

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

3. Is able to work.

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

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

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

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

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

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

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

6. Has met one of the following requirements:

   (a) Has been paid wages for insured work during the individual's base period equal to at least one and one-half times the wages paid to the individual in the calendar quarter of the individual's base period in which the wages were highest, and the individual has been paid wages for insured work in one calendar quarter of the individual's base period equal to an amount that is equal to at least three hundred ninety times the minimum wage prescribed by section 23-363 that is in effect when the individual files a claim for benefits.
(b) Has for a benefit year beginning on or after September 2, 1984, been paid wages for insured work during at least two quarters of the individual's base period and the amount of the wages paid in one quarter would be sufficient to qualify the individual for the maximum weekly benefit amount payable under this chapter and the total of the individual's base-period wages is equal to or greater than the taxable limit as specified in section 23-622, subsection B, paragraphs 1 and 2.

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

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

1. The individual has filed a claim for benefits not later than the fourth calendar week of unemployment after the end of the period of disability.
2. The claim is filed within two years after the period of disability begins.
3. The individual meets the requirements of subsection A of this section.
4. The individual has attempted to return to the employment where the temporary total disability occurred.

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

D. The department shall not disqualify an individual from receiving benefits under this chapter on the basis of the individual's separation from employment if the individual is a victim of domestic violence and
leaves employment due to a documented case involving domestic violence pursuant to section 13-3601 or 13-3601.02. Benefits paid to an individual pursuant to this subsection shall not be charged against an employer's account pursuant to section 23-727, subsection G.

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

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

23-779. Amount of benefits
A. The weekly benefit amount of an individual shall be an amount equal to one-twenty-fifth 1/25 of the person's total wages for insured work paid during that quarter of the person's base period in which such total wages were highest, but if:

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

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


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

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

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

23-780. Duration and amount of benefits; definition
A. An otherwise eligible individual shall be IS entitled during a benefit year to a total amount of benefits equal to:
1. Twenty-six times the individual's weekly benefit amount, but shall if the unemployment rate in the prior calendar quarter is five percent or more.

2. Twenty-four times the individual's weekly benefit amount if the unemployment rate in the prior calendar quarter is less than five percent.

B. Notwithstanding subsection A of this section, an individual may not receive more than one-third of his base period earnings in such a benefit year.

C. For the purposes of this section, "unemployment rate in the prior calendar quarter" means the average of the seasonally adjusted unemployment rates for the three months of the most recently published calendar year quarter as published by the Office of Economic Opportunity.

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

23-799.01. Fraud prevention; report

A. To ensure program integrity, the department shall:

1. Obtain current and actual employment and earned income information in real time via verification services from external data sources, including third-party vendors, as part of the department's employment and earned income verification process to accurately determine an individual's eligibility for unemployment benefits.

2. Verify the identity of an individual by incorporating an identity verification process that may include digital or physical identity authentication factors, or both, using external data sources, including third-party vendors.

3. Minimize erroneous communications to employers generated from fraudulent claim applications.

B. On or before December 31 of each year, the department shall submit to the governor, the president of the senate and the speaker of the house of representatives, and shall provide a copy to the secretary of state, a report that contains details on unemployment insurance fraud for the previous fiscal year, including all of the following:

1. The number of fraudulent claims.

2. The total amount of monies paid in fraudulent claims.

3. The impact of fraud on employer contribution rates and experience ratings.

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

42-5061. Retail classification; definitions

A. The retail classification is comprised of the business of selling tangible personal property at retail. The tax base for the retail classification is the gross proceeds of sales or gross income derived from the business. The tax imposed on the retail classification does not apply to the gross proceeds of sales or gross income from:
1. Professional or personal service occupations or businesses that involve sales or transfers of tangible personal property only as inconsequential elements.

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

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

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

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

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

7. The sale of stocks and bonds.

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

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

10. Insulin, insulin syringes and glucose test strips.

11. Prescription eyeglasses or contact lenses.

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

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

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

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

16. Items purchased with United States department of agriculture coupons issued under the supplemental nutrition assistance program pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703; 7 United States Code sections 2011 through 2036b) by the United States department of agriculture food and nutrition service or food instruments.

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

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

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

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

21. The sale of cash equivalents and the sale of precious metal bullion and monetized bullion to the ultimate consumer, but the sale of coins or other forms of money for manufacture into jewelry or works of art is subject to the tax and the gross proceeds of sales or gross income derived from the redemption of any cash equivalent by the holder as a means of payment for goods or services that are taxable under this article is subject to the tax. For the purposes of this paragraph:
   (a) "Cash equivalents" means items or intangibles, whether or not negotiable, that are sold to one or more persons, through which a value denominated in money is purchased in advance and may be redeemed in full or in part for tangible personal property, intangibles or services. Cash equivalents include gift cards, stored value cards, gift certificates, vouchers, traveler's checks, money orders or other instruments, orders or electronic mechanisms, such as an electronic code, personal identification number or digital payment mechanism, or any other prepaid intangible right to acquire tangible personal property, intangibles or services in the future, whether from the seller of the cash equivalent or from another person. Cash equivalents do not include either of the following:
      (i) Items or intangibles that are sold to one or more persons, through which a value is not denominated in money.
      (ii) Prepaid calling cards or prepaid authorization numbers for telecommunications services made taxable by subsection P of this section.
   (b) "Monetized bullion" means coins and other forms of money that are manufactured from gold, silver or other metals and that have been or are used as a medium of exchange in this or another state, the United States or a foreign nation.
   (c) "Precious metal bullion" means precious metal, including gold, silver, platinum, rhodium and palladium, that has been smelted or refined so that its value depends on its contents and not on its form.
22. Motor vehicle fuel and use fuel that are subject to a tax imposed under title 28, chapter 16, article 1, sales of use fuel to a holder of a valid single trip use fuel tax permit issued under section 28-5739, sales of aviation fuel that are subject to the tax imposed under section 28-8344 and sales of jet fuel that are subject to the tax imposed under article 8 of this chapter.

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

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

25. Tangible personal property sold to:
   (a) A qualifying hospital as defined in section 42-5001.
   (b) A qualifying health care organization as defined in section 42-5001 if the tangible personal property is used by the organization solely to provide health and medical related educational and charitable services.
   (c) A qualifying health care organization as defined in section 42-5001 if the organization is dedicated to providing educational, therapeutic, rehabilitative and family medical education training for blind and visually impaired children and children with multiple disabilities from the time of birth to age twenty-one.
   (d) A qualifying community health center as defined in section 42-5001.
   (e) A nonprofit charitable organization that has qualified under section 501(c)(3) of the internal revenue code and that regularly serves meals to the needy and indigent on a continuing basis at no cost.
   (f) For taxable periods beginning from and after June 30, 2001, a nonprofit charitable organization that has qualified under section 501(c)(3) of the internal revenue code and that provides residential apartment housing for low income persons over sixty-two years of age in a facility that qualifies for a federal housing subsidy, if the tangible personal property is used by the organization solely to provide residential apartment housing for low income persons over sixty-two years of age in a facility that qualifies for a federal housing subsidy.
   (g) A qualifying health sciences educational institution as defined in section 42-5001.
   (h) Any person representing or working on behalf of another person described in subdivisions (a) through (g) of this paragraph if the tangible personal property is incorporated or fabricated into a project described in section 42-5075, subsection 0.

26. Magazines or other periodicals or other publications by this state to encourage tourist travel.
27. Tangible personal property sold to:
   (a) A person that is subject to tax under this article by reason of being engaged in business classified under section 42-5075 or to a subcontractor working under the control of a person engaged in business classified under section 42-5075, if the property so sold is any of the following:
      (i) Incorporated or fabricated by the person into any real property, structure, project, development or improvement as part of the business.
      (ii) Incorporated or fabricated by the person into any project described in section 42-5075, subsection 0.
      (iii) Used in environmental response or remediation activities under section 42-5075, subsection B, paragraph 6.
   (b) A person that is not subject to tax under section 42-5075 and that has been provided a copy of a certificate under section 42-5009, subsection L, if the property so sold is incorporated or fabricated by the person into the real property, structure, project, development or improvement described in the certificate.
28. The sale of a motor vehicle to:
   (a) A nonresident of this state if the purchaser's state of residence does not allow a corresponding use tax exemption to the tax imposed by article 1 of this chapter and if the nonresident has secured a special ninety day nonresident registration permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01.
   (b) An enrolled member of an Indian tribe who resides on the Indian reservation established for that tribe.
29. Tangible personal property purchased in this state by a nonprofit charitable organization that has qualified under section 501(c)(3) of the United States internal revenue code and that engages in and uses such property exclusively in programs for persons with mental or physical disabilities if the programs are exclusively for training, job placement, rehabilitation or testing.
30. Sales of tangible personal property by a nonprofit organization that is exempt from taxation under section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the organization is associated with a major league baseball team or a national touring professional golfing association and no part of the organization's net earnings inures to the benefit of any private shareholder or individual. This paragraph does not apply to an organization that is owned, managed or controlled, in whole or in part, by a major league baseball team, or its owners, officers, employees or agents, or by a major league baseball association or professional golfing association, or its owners, officers, employees or agents, unless the organization conducted or operated exhibition events in this state before January 1, 2018 that were exempt from taxation under section 42-5073.
31. Sales of commodities, as defined by title 7 United States Code section 2, that are consigned for resale in a warehouse in this state in or from which the commodity is deliverable on a contract for future delivery subject to the rules of a commodity market regulated by the United States commodity futures trading commission.

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

33. Sales of propagative materials to persons who use those items to commercially produce agricultural, horticultural, viticultural or floricultural crops in this state. For the purposes of this paragraph, "propagative materials":
   (a) Includes seeds, seedlings, roots, bulbs, liners, transplants, cuttings, soil and plant additives, agricultural minerals, auxiliary soil and plant substances, micronutrients, fertilizers, insecticides, herbicides, fungicides, soil fumigants, desiccants, rodenticides, adjuvants, plant nutrients and plant growth regulators.
   (b) Except for use in commercially producing industrial hemp as defined in section 3-311, does not include any propagative materials used in producing any part, including seeds, of any plant of the genus cannabis.

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

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

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

37. Coal, petroleum, coke, natural gas, virgin fuel oil and electricity sold to a qualified environmental technology manufacturer, producer or processor as defined in section 41-1514.02 and directly used or consumed in the generation or provision of on-site power or energy solely for environmental technology manufacturing, producing or processing or environmental protection. This paragraph shall apply for twenty full consecutive calendar or fiscal years from the date the first paper manufacturing machine is placed in service. In the case of an environmental technology manufacturer, producer or processor who does not manufacture paper, the time period shall begin with the date the first manufacturing, processing or production equipment is placed in service.
38. Sales of liquid, solid or gaseous chemicals used in manufacturing, processing, fabricating, mining, refining, metallurgical operations, research and development and, beginning on January 1, 1999, printing, if using or consuming the chemicals, alone or as part of an integrated system of chemicals, involves direct contact with the materials from which the product is produced for the purpose of causing or permitting a chemical or physical change to occur in the materials as part of the production process. This paragraph does not include chemicals that are used or consumed in activities such as packaging, storage or transportation but does not affect any deduction for such chemicals that is otherwise provided by this section. For the purposes of this paragraph, "printing" means a commercial printing operation and includes job printing, engraving, embossing, copying and bookbinding.

39. Through December 31, 1994, personal property liquidation transactions, conducted by a personal property liquidator. From and after December 31, 1994, personal property liquidation transactions shall be taxable under this section provided that nothing in this subsection shall be construed to authorize the taxation of casual activities or transactions under this chapter. For the purposes of this paragraph:
   (a) "Personal property liquidation transaction" means a sale of personal property made by a personal property liquidator acting solely on behalf of the owner of the personal property sold at the dwelling of the owner or on the death of any owner, on behalf of the surviving spouse, if any, any devisee or heir or the personal representative of the estate of the deceased, if one has been appointed.
   (b) "Personal property liquidator" means a person who is retained to conduct a sale in a personal property liquidation transaction.

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

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

42. Sales of:
   (a) Livestock and poultry to persons engaging in the businesses of farming, ranching or producing livestock or poultry.
   (b) Livestock and poultry feed, salts, vitamins and other additives for livestock or poultry consumption that are sold to persons for use or consumption by their own livestock or poultry, for use or consumption in the businesses of farming, ranching and producing or feeding livestock, poultry, or livestock or poultry products or for use or consumption in
noncommercial boarding of livestock. For the purposes of this paragraph, "poultry" includes ratites.

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

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

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

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

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

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

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

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

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

50. Sales of any spirituous, vinous or malt liquor by a person that is licensed in this state as a wholesaler by the department of liquor licenses and control pursuant to title 4, chapter 2, article 1.
51. Sales of tangible personal property to be incorporated or installed as part of environmental response or remediation activities under section 42-5075, subsection B, paragraph 6.

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

53. Application services that are designed to assess or test student learning or to promote curriculum design or enhancement purchased by or for any school district, charter school, community college or state university. For the purposes of this paragraph:
   (a) "Application services" means software applications provided remotely using hypertext transfer protocol or another network protocol.
   (b) "Curriculum design or enhancement" means planning, implementing or reporting on courses of study, lessons, assignments or other learning activities.

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

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

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

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

58. Orthodontic devices dispensed by a dental professional who is licensed under title 32, chapter 11 to a patient as part of the practice of dentistry.
59. Sales of tangible personal property incorporated or fabricated into a project described in section 42-5075, subsection 0, that is located within the exterior boundaries of an Indian reservation for which the owner, as defined in section 42-5075, of the project is an Indian tribe or an affiliated Indian. For the purposes of this paragraph:

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

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

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

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

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

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

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

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

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

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

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

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

7. Aircraft, navigational and communication instruments and other
accessories and related equipment sold to:
   (a) A person:
      (i) Holding, or exempted by federal law from obtaining, a federal
certificate of public convenience and necessity for use as, in conjunction
with or becoming part of an aircraft to be used to transport persons for
hire in intrastate, interstate or foreign commerce.
      (ii) That is certificated or licensed under federal aviation
administration regulations (14 Code of Federal Regulations part 121 or
135) as a scheduled or unscheduled carrier of persons for hire for use as
or in conjunction with or becoming part of an aircraft to be used to
transport persons for hire in intrastate, interstate or foreign commerce.
      (iii) Holding a foreign air carrier permit for air transportation
for use as or in conjunction with or becoming a part of aircraft to be
used to transport persons, property or United States mail in intrastate,
interstate or foreign commerce.
      (iv) Operating an aircraft to transport persons in any manner for
compensation or hire, or for use in a fractional ownership program that
meets the requirements of federal aviation administration regulations (14
Code of Federal Regulations part 91, subpart K), including as an air
carrier, a foreign air carrier or a commercial operator or under a
restricted category, within the meaning of 14 Code of Federal Regulations,
regardless of whether the operation or aircraft is regulated or certified
under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code
of Federal Regulations.
      (v) That will lease or otherwise transfer operational control,
within the meaning of federal aviation administration operations
specification A008, or its successor, of the aircraft, instruments or accessories to one or more persons described in item (i), (ii), (iii) or (iv) of this subdivision, subject to section 42-5009, subsection Q.

(b) Any foreign government.

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

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

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

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

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


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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Janitorial equipment and hand tools.

3. Office equipment, furniture and supplies.

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

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

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

7. Motors and pumps used in drip irrigation systems.

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

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

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

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

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

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

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

2. Businesses classified under the:
   (a) Transporting classification.
   (b) Utilities classification.
   (c) Telecommunications classification.
   (d) Pipeline classification.
   (e) Private car line classification.
   (f) Publication classification.
   (g) Job printing classification.
   (h) Prime contracting classification.
   (i) Restaurant classification.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

V. For the purposes of this section:

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

2. "Aircraft" includes:
   a. An airplane flight simulator that is approved by the federal aviation administration for use as a phase II or higher flight simulator under appendix H, 14 Code of Federal Regulations part 121.
   b. Tangible personal property that is permanently affixed or attached as a component part of an aircraft that is owned or operated by a certificated or licensed carrier of persons or property.

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

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

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

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

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

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

4. "Overhead materials" means tangible personal property, the gross proceeds of sales or gross income derived from that would otherwise be included in the retail classification, and that are used or consumed in the performance of a contract, the cost of which is charged to an overhead expense account and allocated to various contracts based on generally accepted accounting principles and consistent with government contract accounting standards.
5. "Repairer" means a person who restores or renews products, wares or articles of manufacture.

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

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

42-5061. Retail classification; definitions
A. The retail classification is comprised of the business of selling tangible personal property at retail. The tax base for the retail classification is the gross proceeds of sales or gross income derived from the business. The tax imposed on the retail classification does not apply to the gross proceeds of sales or gross income from:

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

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

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

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

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

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

7. The sale of stocks and bonds.

8. Drugs and medical oxygen, including delivery hose, mask or tent, regulator and tank, on the prescription of a member of the medical, dental or veterinarian profession who is licensed by law to administer such substances.
9. Prosthetic appliances as defined in section 23-501 and as
prescribed or recommended by a health professional who is licensed
pursuant to title 32, chapter 7, 8, 11, 13, 14, 15, 16, 17 or 29.

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

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

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

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

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

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

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

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

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

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

25. Tangible personal property sold to:

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

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

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

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

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

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

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

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

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

27. Tangible personal property sold to:

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

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

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

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

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

28. The sale of a motor vehicle to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

42. Sales of:

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

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

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

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

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

46. Sales of alternative fuel, as defined in section 1-215, to a
used oil fuel burner who has received a permit to burn used oil or used
oil fuel under section 49-426 or 49-480.
47. Sales of materials that are purchased by or for publicly funded libraries including school district libraries, charter school libraries, community college libraries, state university libraries or federal, state, county or municipal libraries for use by the public as follows:
   (a) Printed or photographic materials, beginning August 7, 1985.
   (b) Electronic or digital media materials, beginning July 17, 1994.
48. Tangible personal property sold to a commercial airline and consisting of food, beverages and condiments and accessories used for serving the food and beverages, if those items are to be provided without additional charge to passengers for consumption in flight. For the purposes of this paragraph, "commercial airline" means a person holding a federal certificate of public convenience and necessity or foreign air carrier permit for air transportation to transport persons, property or United States mail in intrastate, interstate or foreign commerce.
49. Sales of alternative fuel vehicles if the vehicle was manufactured as a diesel fuel vehicle and converted to operate on alternative fuel and equipment that is installed in a conventional diesel fuel motor vehicle to convert the vehicle to operate on an alternative fuel, as defined in section 1-215.
50. Sales of any spirituous, vinous or malt liquor by a person that is licensed in this state as a wholesaler by the department of liquor licenses and control pursuant to title 4, chapter 2, article 1.
51. Sales of tangible personal property to be incorporated or installed as part of environmental response or remediation activities under section 42-5075, subsection B, paragraph 6.
52. Sales of tangible personal property by a nonprofit organization that is exempt from taxation under section 501(c)(6) of the internal revenue code if the organization produces, organizes or promotes cultural or civic related festivals or events and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.
53. Application services that are designed to assess or test student learning or to promote curriculum design or enhancement purchased by or for any school district, charter school, community college or state university. For the purposes of this paragraph:
   (a) "Application services" means software applications provided remotely using hypertext transfer protocol or another network protocol.
   (b) "Curriculum design or enhancement" means planning, implementing or reporting on courses of study, lessons, assignments or other learning activities.
54. Sales of motor vehicle fuel and use fuel to a qualified business under section 41-1516 for off-road use in harvesting, processing or transporting qualifying forest products removed from qualifying projects as defined in section 41-1516.
55. Sales of repair parts installed in equipment used directly by a qualified business under section 41-1516 in harvesting, processing or
transporting qualifying forest products removed from qualifying projects as defined in section 41-1516.

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

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

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

59. Sales of tangible personal property incorporated or fabricated into a project described in section 42-5075, subsection O, that is located within the exterior boundaries of an Indian reservation for which the owner, as defined in section 42-5075, of the project is an Indian tribe or an affiliated Indian. For the purposes of this paragraph:
   (a) "Affiliated Indian" means an individual Native American Indian who is duly registered on the tribal rolls of the Indian tribe for whose benefit the Indian reservation was established.
   (b) "Indian reservation" means all lands that are within the limits of areas set aside by the United States for the exclusive use and occupancy of an Indian tribe by treaty, law or executive order and that are recognized as Indian reservations by the United States department of the interior.
   (c) "Indian tribe" means any organized nation, tribe, band or community that is recognized as an Indian tribe by the United States department of the interior and includes any entity formed under the laws of the Indian tribe.

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

61. Sales of coal.

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

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

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

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

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

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

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

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

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

(a) A person:

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

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

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

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

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

(b) Any foreign government.

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

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

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

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

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


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

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

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

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

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

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

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

(i) Over two-thirds of the transmissions, measured in megabytes, transmitted by the facility during the test period were transmitted to or on behalf of one or more direct broadcast satellite television or data transmission services that operate pursuant to 47 Code of Federal Regulations part 25.
(ii) Over two-thirds of the transmissions, measured in megabytes, transmitted by or on behalf of those direct broadcast television or data transmission services during the test period were transmitted by the facility to or on behalf of those services. For the purposes of subdivision (b) of this paragraph, "test period" means the three hundred sixty-five day period beginning on the later of the date on which the tangible personal property is purchased or the date on which the direct broadcast satellite television or data transmission service first transmits information to its customers.

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

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

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

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

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

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

20. Machinery or equipment that enables a television station to
originate and broadcast or to receive and broadcast digital television
signals and that was purchased to facilitate compliance with the
telecommunications act of 1996 (P.L. 104-104; 110 Stat. 56; 47 United
States Code section 336) and the federal communications commission order
issued April 21, 1997 (47 Code of Federal Regulations part 73). This
paragraph does not exempt any of the following:
(a) Repair or replacement parts purchased for the machinery or
equipment described in this paragraph.
(b) Machinery or equipment purchased to replace machinery or
equipment for which an exemption was previously claimed and taken under
this paragraph.
(c) Any machinery or equipment purchased after the television
station has ceased analog broadcasting, or purchased after November 1,
2009, whichever occurs first.

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

C. The deductions provided by subsection B of this section do not
include sales of:
1. Expendable materials. For the purposes of this paragraph,
expendable materials do not include any of the categories of tangible
personal property specified in subsection B of this section regardless of
the cost or useful life of that property.
2. Janitorial equipment and hand tools.
3. Office equipment, furniture and supplies.
4. Tangible personal property used in selling or distributing
activities, other than the telecommunications transmissions described in
subsection B, paragraph 15 of this section.
5. Motor vehicles required to be licensed by this state, except
buses or other urban mass transit vehicles specifically exempted pursuant
to subsection B, paragraph 11 of this section, without regard to the use
of such motor vehicles.
6. Shops, buildings, docks, depots and all other materials of
whatever kind or character not specifically included as exempt.
7. Motors and pumps used in drip irrigation systems.
8. Machinery and equipment or other tangible personal property used by a contractor in the performance of a contract.

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

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

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

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

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

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

2. Businesses classified under the:
   (a) Transporting classification.
   (b) Utilities classification.
   (c) Telecommunications classification.
   (d) Pipeline classification.
   (e) Private car line classification.
   (f) Publication classification.
(g) Job printing classification.
(h) Prime contracting classification.
(i) Restaurant classification.

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

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

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

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

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

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

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

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

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

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

M. There shall be deducted from the tax base the amount received from sales of solar energy devices. The retailer shall register with the department as a solar energy retailer. By registering, the retailer acknowledges that it will make its books and records relating to sales of solar energy devices available to the department for examination.
N. In computing the tax base in the case of the sale or transfer of wireless telecommunications equipment as an inducement to a customer to enter into or continue a contract for telecommunications services that are taxable under section 42-5064, gross proceeds of sales or gross income does not include any sales commissions or other compensation received by the retailer as a result of the customer entering into or continuing a contract for the telecommunications services.

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

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

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

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

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

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

S. For the purposes of section 42-5032.01, the department shall separately account for revenues collected under the retail classification from businesses selling tangible personal property at retail:
1. On the premises of a multipurpose facility that is owned, leased or operated by the tourism and sports authority pursuant to title 5, chapter 8.

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

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

U. For the purposes of this section:

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

2. "Aircraft" includes:
   (a) An airplane flight simulator that is approved by the federal aviation administration for use as a phase II or higher flight simulator under appendix H, 14 Code of Federal Regulations part 121.
   (b) Tangible personal property that is permanently affixed or attached as a component part of an aircraft that is owned or operated by a certificated or licensed carrier of persons or property.

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

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

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

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

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

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

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

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

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

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

42-5159. Exemptions
A. The tax levied by this article does not apply to the storage, use or consumption in this state of the following described tangible personal property:

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

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

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

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

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

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

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

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

9. Propagative materials for use in commercially producing agricultural, horticultural, viticultural or floricultural crops in this state. For the purposes of this paragraph, "propagative materials":
   (a) Includes seeds, seedlings, roots, bulbs, liners, transplants, cuttings, soil and plant additives, agricultural minerals, auxiliary soil and plant substances, micronutrients, fertilizers, insecticides, herbicides, fungicides, soil fumigants, desiccants, rodenticides, adjuvants, plant nutrients and plant growth regulators.
   (b) Except for use in commercially producing industrial hemp as defined in section 3-311, does not include any propagative materials used in producing any part, including seeds, of any plant of the genus cannabis.

10. Tangible personal property not exceeding $200 in any one month purchased by an individual at retail outside the continental limits of the United States for the individual's own personal use and enjoyment.
11. Advertising supplements that are intended for sale with
newspapers published in this state and that have already been subjected to
an excise tax under the laws of another state in the United States that
equals or exceeds the tax imposed by this article.

12. Materials that are purchased by or for publicly funded
libraries including school district libraries, charter school libraries,
community college libraries, state university libraries or federal, state,
county or municipal libraries for use by the public as follows:
(a) Printed or photographic materials, beginning August 7, 1985.
(b) Electronic or digital media materials, beginning July 17, 1994.

13. Tangible personal property purchased by:
(a) A hospital organized and operated exclusively for charitable
purposes, no part of the net earnings of which inures to the benefit of
any private shareholder or individual.
(b) A hospital operated by this state or a political subdivision of
this state.
(c) A licensed nursing care institution or a licensed residential
care institution or a residential care facility operated in conjunction
with a licensed nursing care institution or a licensed kidney dialysis
center, which provides medical services, nursing services or health
related services and is not used or held for profit.
(d) A qualifying health care organization, as defined in section
42-5001, if the tangible personal property is used by the organization
solely to provide health and medical related educational and charitable
services.
(e) A qualifying health care organization as defined in section
42-5001 if the organization is dedicated to providing educational,
therapeutic, rehabilitative and family medical education training for
blind and visually impaired children and children with multiple
disabilities from the time of birth to age twenty-one.
(f) A nonprofit charitable organization that has qualified under
section 501(c)(3) of the United States internal revenue code and that
engages in and uses such property exclusively in programs for persons with
mental or physical disabilities if the programs are exclusively for
training, job placement, rehabilitation or testing.
(g) A person that is subject to tax under this chapter by reason of
being engaged in business classified under section 42-5075, or a
subcontractor working under the control of a person that is engaged in
business classified under section 42-5075, if the tangible personal
property is any of the following:
(i) Incorporated or fabricated by the person into a structure,
project, development or improvement in fulfillment of a contract.
(ii) Incorporated or fabricated by the person into any project
described in section 42-5075, subsection 0.
(iii) Used in environmental response or remediation activities under section 42-5075, subsection B, paragraph 6.

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

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

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

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

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

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

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

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

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

15. Tangible personal property sold by:

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

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

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

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

18. Prescription eyeglasses and contact lenses.

19. Insulin, insulin syringes and glucose test strips.

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

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

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

23. Items purchased with United States department of agriculture coupons issued under the supplemental nutrition assistance program pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703; 7 United States Code sections 2011 through 2036b) by the United States department of agriculture food and nutrition service or food instruments issued under section 17 of the child nutrition act (P.L. 95-627; 92 Stat.
24. Food and drink provided without monetary charge by a taxpayer that is subject to section 42-5074 to its employees for their own consumption on the premises during the employees' hours of employment.

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

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

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

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

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

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

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

32. Motor vehicles that are removed from inventory by a motor vehicle dealer as defined in section 28-4301 and that are provided to:
   (a) Charitable or educational institutions that are exempt from taxation under section 501(c)(3) of the internal revenue code.
   (b) Public educational institutions.
   (c) State universities or affiliated organizations of a state university if no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

45. Gas diverted from a pipeline, by a person engaged in the business of:
   (a) Operating a natural or artificial gas pipeline, and used or consumed for the sole purpose of fueling compressor equipment that pressurizes the pipeline.
   (b) Converting natural gas into liquefied natural gas, and used or consumed for the sole purpose of fueling compressor equipment used in the conversion process.

46. Tangible personal property that is excluded, exempt or deductible from transaction privilege tax pursuant to section 42-5063.
47. Tangible personal property purchased to be incorporated or installed as part of environmental response or remediation activities under section 42-5075, subsection B, paragraph 6.

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

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

50. Application services that are designed to assess or test student learning or to promote curriculum design or enhancement purchased by or for any school district, charter school, community college or state university. For the purposes of this paragraph:
   (a) "Application services" means software applications provided remotely using hypertext transfer protocol or another network protocol.
   (b) "Curriculum design or enhancement" means planning, implementing or reporting on courses of study, lessons, assignments or other learning activities.

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

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

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

54. Computer data center equipment sold to the owner, operator or qualified colocation tenant of a computer data center that is certified by the Arizona commerce authority under section 41-1519 or an authorized agent of the owner, operator or qualified colocation tenant during the qualification period for use in the qualified computer data center. For the purposes of this paragraph, "computer data center", "computer data center equipment", "qualification period" and "qualified colocation tenant" have the same meanings prescribed in section 41-1519.
55. Coal acquired from an owner or operator of a power plant by a person who is responsible for refining coal if both of the following apply:
   (a) The transfer of title or possession of the coal is for the purpose of refining the coal.
   (b) The title or possession of the coal is transferred back to the owner or operator of the power plant after completion of the coal refining process. For the purposes of this subdivision, "coal refining process" means the application of a coal additive system that aids the reduction of power plant emissions during the combustion of coal and the treatment of flue gas.

56. Tangible personal property incorporated or fabricated into a project described in section 42-5075, subsection O, that is located within the exterior boundaries of an Indian reservation for which the owner, as defined in section 42-5075, of the project is an Indian tribe or an affiliated Indian. For the purposes of this paragraph:
   (a) "Affiliated Indian" means an individual Native American Indian who is duly registered on the tribal rolls of the Indian tribe for whose benefit the Indian reservation was established.
   (b) "Indian reservation" means all lands that are within the limits of areas set aside by the United States for the exclusive use and occupancy of an Indian tribe by treaty, law or executive order and that are recognized as Indian reservations by the United States department of the interior.
   (c) "Indian tribe" means any organized nation, tribe, band or community that is recognized as an Indian tribe by the United States department of the interior and includes any entity formed under the laws of the Indian tribe.

57. Cash equivalents, precious metal bullion and monetized bullion purchased by the ultimate consumer, but coins or other forms of money for manufacture into jewelry or works of art are subject to tax, and tangible personal property that is purchased through the redemption of any cash equivalent by the holder as a means of payment for goods that are subject to tax under this article is subject to tax. For the purposes of this paragraph:
   (a) "Cash equivalents" means items, whether or not negotiable, that are sold to one or more persons, through which a value denominated in money is purchased in advance and that may be redeemed in full or in part for tangible personal property, intangibles or services. Cash equivalents include gift cards, stored value cards, gift certificates, vouchers, traveler's checks, money orders or other tangible instruments or orders. Cash equivalents do not include either of the following:
      (i) Items that are sold to one or more persons and through which a value is not denominated in money.
      (ii) Prepaid calling cards for telecommunications services.
(b) "Monetized bullion" means coins and other forms of money that are manufactured from gold, silver or other metals and that have been or are used as a medium of exchange in this or another state, the United States or a foreign nation.

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

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

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

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

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

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

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

6. Pipes or valves four inches in diameter or larger used to transport oil, natural gas, artificial gas, water or coal slurry, including compressor units, regulators, machinery and equipment, fittings, seals and any other part that is used in operating the pipes or valves.
7. Aircraft, navigational and communication instruments and other accessories and related equipment sold to:

(a) A person:
   (i) Holding, or exempted by federal law from obtaining, a federal certificate of public convenience and necessity for use as, in conjunction with or becoming part of an aircraft to be used to transport persons for hire in intrastate, interstate or foreign commerce.
   (ii) That is certificated or licensed under federal aviation administration regulations (14 Code of Federal Regulations part 121 or 135) as a scheduled or unscheduled carrier of persons for hire for use as or in conjunction with or becoming part of an aircraft to be used to transport persons for hire in intrastate, interstate or foreign commerce.
   (iii) Holding a foreign air carrier permit for air transportation for use as or in conjunction with or becoming a part of aircraft to be used to transport persons, property or United States mail in intrastate, interstate or foreign commerce.
   (iv) Operating an aircraft to transport persons in any manner for compensation or hire, or for use in a fractional ownership program that meets the requirements of federal aviation administration regulations (14 Code of Federal Regulations part 91, subpart K), including as an air carrier, a foreign air carrier or a commercial operator or under a restricted category, within the meaning of 14 Code of Federal Regulations, regardless of whether the operation or aircraft is regulated or certified under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code of Federal Regulations.
   (v) That will lease or otherwise transfer operational control, within the meaning of federal aviation administration operations specification A008, or its successor, of the aircraft, instruments or accessories to one or more persons described in item (i), (ii), (iii) or (iv) of this subdivision, subject to section 42-5009, subsection Q.

(b) Any foreign government.

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

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

9. Rolling stock, rails, ties and signal control equipment used directly to transport persons or property.
10. Machinery or equipment used directly to drill for oil or gas or used directly in the process of extracting oil or gas from the earth for commercial purposes.

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


13. New machinery and equipment consisting of agricultural aircraft, tractors, tractor-drawn implements, self-powered implements, machinery and equipment necessary for extracting milk, and machinery and equipment necessary for cooling milk and livestock, and drip irrigation lines not already exempt under paragraph 6 of this subsection and that are used for commercial production of agricultural, horticultural, viticultural and floricultural crops and products in this state. For the purposes of this paragraph:
   (a) "New machinery and equipment" means machinery or equipment that has never been sold at retail except pursuant to leases or rentals that do not total two years or more.
   (b) "Self-powered implements" includes machinery and equipment that are electric-powered.

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

15. Tangible personal property that is used by either of the following to receive, store, convert, produce, generate, decode, encode, control or transmit telecommunications information:
   (a) Any direct broadcast satellite television or data transmission service that operates pursuant to 47 Code of Federal Regulations part 25.
   (b) Any satellite television or data transmission facility, if both of the following conditions are met:
(i) Over two-thirds of the transmissions, measured in megabytes, transmitted by the facility during the test period were transmitted to or on behalf of one or more direct broadcast satellite television or data transmission services that operate pursuant to 47 Code of Federal Regulations part 25.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Janitorial equipment and hand tools.

3. Office equipment, furniture and supplies.
4. Tangible personal property used in selling or distributing activities, other than the telecommunications transmissions described in subsection B, paragraph 15 of this section.

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

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

7. Motors and pumps used in drip irrigation systems.

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

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

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

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

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

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

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

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

G. The tax levied by this article does not apply to the purchase price of electricity, natural gas or liquefied petroleum gas by:
1. A qualified manufacturing or smelting business. A utility that claims this deduction shall report each month, on a form prescribed by the department, the name and address of each qualified manufacturing or smelting business for which this deduction is taken. This paragraph applies to gas transportation services. For the purposes of this paragraph:

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

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

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

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

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

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

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

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

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

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

H. A city or town may exempt proceeds from sales of paintings, sculptures or similar works of fine art if such works of fine art are sold by the original artist. For the purposes of this subsection, fine art does not include an art creation such as jewelry, macrame, glasswork,
pottery, woodwork, metalwork, furniture or clothing if the art creation has a dual purpose, both aesthetic and utilitarian, whether sold by the artist or by another person.

I. For the purposes of subsection B of this section:
1. "Agricultural aircraft" means an aircraft that is built for agricultural use for the aerial application of pesticides or fertilizer or for aerial seeding.
2. "Aircraft" includes:
   (a) An airplane flight simulator that is approved by the federal aviation administration for use as a phase II or higher flight simulator under appendix H, 14 Code of Federal Regulations part 121.
   (b) Tangible personal property that is permanently affixed or attached as a component part of an aircraft that is owned or operated by a certificated or licensed carrier of persons or property.
3. "Other accessories and related equipment" includes aircraft accessories and equipment such as ground service equipment that physically contact aircraft at some point during the overall carrier operation.

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

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

42-15001. Assessed valuation of class one property

The assessed valuation of class one property described in section 42-12001 is the following percentage of its full cash value or limited valuation, as applicable:
1. Twenty-five \textpercnt{} through December 31, 2005.
2. Twenty-four and one-half \textpercnt{} beginning from and after December 31, 2005 through December 31, 2006.
3. Twenty-four \textpercnt{} beginning from and after December 31, 2006 through December 31, 2007.
4. Twenty-three \textpercnt{} beginning from and after December 31, 2007 through December 31, 2008.
5. Twenty-two \textpercnt{} beginning from and after December 31, 2008 through December 31, 2009.
6. Twenty-one \textpercnt{} beginning from and after December 31, 2009 through December 31, 2010.
7. Twenty \textpercnt{} beginning from and after December 31, 2010 through December 31, 2012.
8. Nineteen and one-half \textpercnt{} beginning from and after December 31, 2012 through December 31, 2013.
10. Eighteen and one-half percent beginning from and after December 31, 2014 through December 31, 2015.


12. Seventeen and one-half percent beginning from and after December 31, 2021 through December 31, 2022.


14. Sixteen and one-half percent beginning from and after December 31, 2023 through December 31, 2024.

15. Sixteen percent beginning from and after December 31, 2024.

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

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

A. The urban revenue sharing fund is established. Through fiscal year 2022-2023, the fund shall consist of an amount equal to fifteen percent of the net proceeds of the state income taxes for the fiscal year two years preceding the current fiscal year. Beginning in fiscal year 2023-2024, the fund consists of an amount equal to eighteen percent of the net proceeds of the state income taxes for the fiscal year two years preceding the current fiscal year. The fund shall be distributed to incorporated cities and towns as provided in this section, except that a city or town shall receive at least an amount equal to what a city or town with a population of fifteen hundred or more persons would receive. The transfer of net proceeds prescribed by section 49-282, subsection B does not affect the calculation of net proceeds prescribed by this subsection.

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

C. The treasurer, on instruction from the department, shall transmit, not later than the tenth day of each month, to each city or town an amount equal to one-twelfth of that city's or town's total entitlement for the current fiscal year from the urban revenue sharing fund as determined by the department.

D. A newly incorporated city or town shall share in the urban revenue sharing fund beginning the first month of the first full fiscal year following incorporation.
E. On receipt of a certificate of default from the greater Arizona development authority pursuant to section 41-2257 or 41-2258, the state treasurer, to the extent not otherwise expressly prohibited by law, shall withhold from the next succeeding distribution of monies pursuant to this section due to the city or town the amount specified in the certificate of default and immediately deposit the amount withheld in the greater Arizona development authority revolving fund. The state treasurer shall continue to withhold and deposit the monies until the authority certifies to the state treasurer that the default has been cured. **In no event shall** The state treasurer **MAY NOT** withhold any amount that is necessary, as certified by the defaulting political subdivision to the state treasurer and the authority, to make any required deposits then due for the payment of principal and interest on bonds of the political subdivision that were issued prior to **BEFORE** the date of the loan repayment agreement or bonds and that have been secured by a pledge of distributions made pursuant to this section.

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

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

**43-222. Income tax credit review schedule**

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

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

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

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

4. For years ending in 3 and 8, sections 43-1074.01, 43-1081, 43-1168, 43-1170 and 43-1178.
5. For years ending in 4 and 9, sections 43-1073.01, 43-1076, 43-1081.01, 43-1083.03, 43-1084, 43-1164.04, 43-1164.05, and 43-1184.

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

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


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

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

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

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

E. THE DIRECTOR OF THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE DIRECTOR OF THE GOVERNOR’S OFFICE OF STRATEGIC PLANNING AND BUDGETING SHALL NOTIFY THE DEPARTMENT AS REQUIRED PURSUANT TO SUBSECTION B, PARAGRAPHS 1 AND 2 OF THIS SECTION ONLY ON THE FIRST OCCURRENCE THAT EACH STATE GENERAL FUND REVENUE THRESHOLD IS MET.
Sec. 14. Section 43-581, Arizona Revised Statutes, is amended to read:

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

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

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

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

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

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

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

E. The department shall make available suitable forms and instructions to taxpayers who make estimated tax payments pursuant to this article.
Sec. 15. Section 43-1011, Arizona Revised Statutes, is amended to read:

43-1011. Taxes and tax rates

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

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

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

<table>
<thead>
<tr>
<th>If taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $10,000</td>
<td>2.90% of taxable income</td>
</tr>
<tr>
<td>$10,001 - $25,000</td>
<td>$290, plus 3.30% of the excess over $10,000</td>
</tr>
<tr>
<td>$25,001 - $50,000</td>
<td>$785, plus 3.90% of the excess over $25,000</td>
</tr>
<tr>
<td>$50,001 - $150,000</td>
<td>$1,760, plus 4.80% of the excess over $50,000</td>
</tr>
<tr>
<td>$150,001 and over</td>
<td>$6,560, plus 5.17% of the excess over $150,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>If taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $20,000</td>
<td>2.90% of taxable income</td>
</tr>
<tr>
<td>$20,001 - $50,000</td>
<td>$580, plus 3.30% of the excess over $20,000</td>
</tr>
<tr>
<td>$50,001 - $100,000</td>
<td>$1,570, plus 3.90% of the excess over $50,000</td>
</tr>
<tr>
<td>$100,001 - $300,000</td>
<td>$3,520, plus 4.80% of the excess over $100,000</td>
</tr>
<tr>
<td>$300,001 and over</td>
<td>$13,120, plus 5.17% of the excess over $300,000</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>If taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $10,000</td>
<td>2.88% of taxable income</td>
</tr>
<tr>
<td>$10,001 - $25,000</td>
<td>$288, plus 3.24% of the excess over $10,000</td>
</tr>
<tr>
<td>$25,001 - $50,000</td>
<td>$774, plus 3.82% of the excess over $25,000</td>
</tr>
<tr>
<td>Taxable Income Range</td>
<td>Tax Calculation</td>
</tr>
<tr>
<td>------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>$50,001 - $150,000</td>
<td>$1,729, plus 4.74% of the excess over $50,000</td>
</tr>
<tr>
<td>$150,001 and over</td>
<td>$6,469, plus 5.10% of the excess over $150,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Taxable Income Range</th>
<th>Tax Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $20,000</td>
<td>2.88% of taxable income</td>
</tr>
<tr>
<td>$20,001 - $50,000</td>
<td>$576, plus 3.24% of the excess over $20,000</td>
</tr>
<tr>
<td>$50,001 - $100,000</td>
<td>$1,548, plus 3.82% of the excess over $50,000</td>
</tr>
<tr>
<td>$100,001 - $300,000</td>
<td>$3,458, plus 4.74% of the excess over $100,000</td>
</tr>
<tr>
<td>$300,001 and over</td>
<td>$12,938, plus 5.10% of the excess over $300,000</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Taxable Income Range</th>
<th>Tax Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $10,000</td>
<td>2.87% of taxable income</td>
</tr>
<tr>
<td>$10,001 - $25,000</td>
<td>$287, plus 3.20% of the excess over $10,000</td>
</tr>
<tr>
<td>$25,001 - $50,000</td>
<td>$767, plus 3.74% of the excess over $25,000</td>
</tr>
<tr>
<td>$50,001 - $150,000</td>
<td>$1,702, plus 4.72% of the excess over $50,000</td>
</tr>
<tr>
<td>$150,001 and over</td>
<td>$6,422, plus 5.04% of the excess over $150,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Taxable Income Range</th>
<th>Tax Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $20,000</td>
<td>2.87% of taxable income</td>
</tr>
<tr>
<td>$20,001 - $50,000</td>
<td>$574, plus 3.20% of the excess over $20,000</td>
</tr>
<tr>
<td>$50,001 - $100,000</td>
<td>$1,534, plus 3.74% of the excess over $50,000</td>
</tr>
<tr>
<td>$100,001 - $300,000</td>
<td>$3,404, plus 4.72% of the excess over $100,000</td>
</tr>
<tr>
<td>$300,001 and over</td>
<td>$12,844, plus 5.04% of the excess over $300,000</td>
</tr>
</tbody>
</table>

4. For taxable years beginning from and after December 31, 2005 through December 31, 2006:
(a) In the case of a single person or a married person filing separately:

If taxable income is: The tax is:
$0 - $10,000 2.73% of taxable income
$10,001 - $25,000 $273, plus 3.04% of the excess over $10,000
$25,001 - $50,000 $729, plus 3.55% of the excess over $25,000
$50,001 - $150,000 $1,617, plus 4.48% of the excess over $50,000
$150,001 and over $6,097, plus 4.79% of the excess over $150,000

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

If taxable income is: The tax is:
$0 - $20,000 2.73% of taxable income
$20,001 - $50,000 $546, plus 3.04% of the excess over $20,000
$50,001 - $100,000 $1,458, plus 3.55% of the excess over $50,000
$100,001 - $200,000 $3,233, plus 4.48% of the excess over $100,000
$200,001 and over $12,193, plus 4.79% of the excess over $200,000

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

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

If taxable income is: The tax is:
$0 - $10,000 2.59% of taxable income
$10,001 - $25,000 $259, plus 2.88% of the excess over $10,000
$25,001 - $50,000 $691, plus 3.36% of the excess over $25,000
$50,001 - $150,000 $1,531, plus 4.24% of the excess over $50,000
$150,001 and over $5,771, plus 4.54% of the excess over $150,000

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

If taxable income is: The tax is:
$0 - $20,000 2.59% of taxable income
$20,001 - $50,000 $518, plus 2.88% of the excess over $20,000
6. Subject to **subsection** SUBSECTIONS D AND E of this section, for taxable years beginning from and after December 31, 2018 THROUGH DECEMBER 31, 2021:

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

<table>
<thead>
<tr>
<th>If taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 — $26,500</td>
<td>2.59% of taxable income</td>
</tr>
<tr>
<td>$26,501 — $53,000</td>
<td>$686, plus 3.34% of the amount over $26,500</td>
</tr>
<tr>
<td>$53,001 — $159,000</td>
<td>$1,571, plus 4.17% of the amount over $53,000</td>
</tr>
<tr>
<td>$159,001 and over</td>
<td>$5,991, plus 4.50% of the amount over $159,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>If taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 — $53,000</td>
<td>2.59% of taxable income</td>
</tr>
<tr>
<td>$53,001 — $106,000</td>
<td>$1,373, plus 3.34% of the amount over $53,000</td>
</tr>
<tr>
<td>$106,001 — $318,000</td>
<td>$3,143, plus 4.17% of the amount over $106,000</td>
</tr>
<tr>
<td>$318,001 and over</td>
<td>$11,983, plus 4.50% of the amount over $318,000</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>IF TAXABLE INCOME IS:</th>
<th>THE TAX IS:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 — $27,272</td>
<td>2.55% OF TAXABLE INCOME</td>
</tr>
<tr>
<td>$27,273 AND OVER</td>
<td>$695, PLUS 2.98% OF THE AMOUNT OVER $27,272</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>IF TAXABLE INCOME IS:</th>
<th>THE TAX IS:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 — $54,544</td>
<td>2.55% OF TAXABLE INCOME</td>
</tr>
<tr>
<td>$54,545 AND OVER</td>
<td>$1,391, PLUS 2.98% OF THE AMOUNT OVER $54,544</td>
</tr>
</tbody>
</table>
B. SUBJECT TO SUBSECTIONS E AND F OF THIS SECTION, FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31 OF THE YEAR IN WHICH NOTICE IS PROVIDED TO THE DEPARTMENT PURSUANT TO SECTION 43-243, SUBSECTION B, PARAGRAPH 1 THROUGH DECEMBER 31 OF THE YEAR IN WHICH NOTICE IS PROVIDED TO THE DEPARTMENT PURSUANT TO SECTION 43-243, SUBSECTION B, PARAGRAPH 2:

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

<table>
<thead>
<tr>
<th>IF TAXABLE INCOME IS</th>
<th>THE TAX IS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 — $27,272</td>
<td>2.53% OF TAXABLE INCOME</td>
</tr>
<tr>
<td>$27,273 AND OVER</td>
<td>$690, PLUS 2.75% OF THE AMOUNT OVER $27,272</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>IF TAXABLE INCOME IS</th>
<th>THE TAX IS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 — $54,544</td>
<td>2.53% OF TAXABLE INCOME</td>
</tr>
<tr>
<td>$54,545 AND OVER</td>
<td>$1,380, PLUS 2.75% OF THE AMOUNT OVER $54,544</td>
</tr>
</tbody>
</table>

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

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

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

D. For each taxable year beginning from and after December 31, 2019 THROUGH DECEMBER 31, 2021, the department shall adjust the income dollar amount for each rate bracket prescribed by subsection A, paragraph 6 of this section according to the average annual change in the metropolitan Phoenix consumer price index published by the United States department of
labor, bureau of labor statistics. The revised dollar amounts shall be raised to the nearest whole dollar. The income dollar amounts for each rate bracket may not be revised below the amounts prescribed in the prior taxable year.

E. FOR EACH TAXABLE YEAR BEGINNING FROM AND AFTER DECEMBER 31, 2021, THE DEPARTMENT SHALL ADJUST THE INCOME DOLLAR AMOUNT FOR EACH RATE Bracket prescribed by subsection A, paragraphs 7 and 8 of this section, as applicable, according to the average annual change in the metropolitan phoenix consumer price index published by the united states department of labor, bureau of labor statistics. The revised dollar amounts shall be raised to the nearest whole dollar. The income dollar amounts for each rate bracket may not be revised below the amounts prescribed in the prior taxable year.

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

43-1022. Subtractions from Arizona gross income

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

1. The amount of exemptions allowed by section 43-1023.
2. Benefits, annuities and pensions in an amount totaling not more than $2,500 received from one or more of the following:
   (a) The United States government service retirement and disability fund, the United States foreign service retirement and disability system and any other retirement system or plan established by federal law, except retired or retainer pay of the uniformed services of the United States that qualifies for a subtraction under paragraph 27 of this section.
   (b) The Arizona state retirement system, the corrections officer retirement plan, the public safety personnel retirement system, the elected officials' retirement plan, an optional retirement program established by the Arizona board of regents under section 15-1628, an optional retirement program established by a community college district board under section 15-1451 or a retirement plan established for employees of a county, city or town in this state.
3. A beneficiary's share of the fiduciary adjustment to the extent that the amount determined by section 43-1333 decreases the beneficiary's Arizona gross income.
4. Interest income received on obligations of the United States, minus any interest on indebtedness, or other related expenses, and deducted in arriving at Arizona gross income, that were incurred or continued to purchase or carry such obligations.
5. The excess of a partner's share of income required to be included under section 702(a)(8) of the internal revenue code over the income required to be included under chapter 14, article 2 of this title.
6. The excess of a partner's share of partnership losses determined pursuant to chapter 14, article 2 of this title over the losses allowable under section 702(a)(8) of the internal revenue code.

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

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

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

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

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

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

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

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

15. Any amount of qualified educational expenses that is distributed from a qualified state tuition program determined pursuant to section 529 of the internal revenue code and that is included in income in computing federal adjusted gross income.
16. Any item of income resulting from an installment sale that has been properly subjected to income tax in another state in a previous taxable year and that is included in Arizona gross income in the current taxable year.

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

18. For property placed in service:
   (a) In taxable years beginning before December 31, 2012, an amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year computed as if the election described in section 168(k) of the internal revenue code had been made for each applicable class of property in the year the property was placed in service.
   (b) In taxable years beginning from and after December 31, 2012 through December 31, 2013, an amount determined in the year the asset was placed in service based on the calculation in subdivision (a) of this paragraph. In the first taxable year beginning from and after December 31, 2013, the taxpayer may elect to subtract the amount necessary to make the depreciation claimed to date for the purposes of this title the same as it would have been if subdivision (c) of this paragraph had applied for the entire time the asset was in service. Subdivision (c) of this paragraph applies for the remainder of the asset's life. If the taxpayer does not make the election under this subdivision, subdivision (a) of this paragraph applies for the remainder of the asset's life.
   (c) In taxable years beginning from and after December 31, 2013 through December 31, 2015, an amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year as computed as if the additional allowance for depreciation had been ten percent of the amount allowed pursuant to section 168(k) of the internal revenue code.
   (d) In taxable years beginning from and after December 31, 2015 through December 31, 2016, an amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year as computed as if the additional allowance for depreciation had been fifty-five percent of the amount allowed pursuant to section 168(k) of the internal revenue code.
   (e) In taxable years beginning from and after December 31, 2016, an amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year as computed as if the additional allowance for depreciation had been the full amount allowed pursuant to section 168(k) of the internal revenue code.

19. With respect to property that is sold or otherwise disposed of during the taxable year by a taxpayer that complied with section 43-1021, paragraph 12 with respect to that property, the amount of depreciation that has been allowed pursuant to section 167(a) of the internal revenue code...
code to the extent that the amount has not already reduced Arizona taxable income in the current or prior taxable years.

20. The amount contributed during the taxable year to college savings plans established pursuant to section 529 of the internal revenue code to the extent that the contributions were not deducted in computing federal adjusted gross income. The amount subtracted shall not exceed:
   (a) $2,000 for a single individual or a head of household.
   (b) $4,000 for a married couple filing a joint return. In the case of a husband and wife who file separate returns, the subtraction may be taken by either taxpayer or may be divided between them, but the total subtractions allowed both husband and wife shall not exceed $4,000.

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

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

23. An amount of any net long-term capital gain included in federal adjusted gross income for the taxable year that is derived from an investment in an asset acquired after December 31, 2011, as follows:
   (a) For taxable years beginning from and after December 31, 2012 through December 31, 2013, ten percent of the net long-term capital gain included in federal adjusted gross income.
   (b) For taxable years beginning from and after December 31, 2013 through December 31, 2014, twenty percent of the net long-term capital gain included in federal adjusted gross income.
   (c) For taxable years beginning from and after December 31, 2014, twenty-five percent of the net long-term capital gain included in federal adjusted gross income. For the purposes of this paragraph, a transferee that receives an asset by gift or at the death of a transferor is considered to have acquired the asset when the asset was acquired by the transferor. If the date an asset is acquired cannot be verified, a subtraction under this paragraph is not allowed.
24. If an individual is not claiming itemized deductions pursuant to section 43-1042, the amount of premium costs for long-term care insurance, as defined in section 20-1691.

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

26. For taxable years beginning from and after December 31, 2017, the amount of any net capital gain included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender. For the purposes of this paragraph:
   (a) "Legal tender" means a medium of exchange, including specie, that is authorized by the United States Constitution or Congress to pay debts, public charges, taxes and dues.
   (b) "Specie" means coins having precious metal content.

27. Benefits, annuities and pensions received as retired or retainer pay of the uniformed services of the United States in amounts as follows:
   (a) For taxable years through December 31, 2018, an amount totaling not more than $2,500.
   (b) For taxable years beginning from and after December 31, 2018 through December 31, 2020, an amount totaling not more than $3,500.
   (c) For taxable years beginning from and after December 31, 2020, the full amount received.

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

43-1041. Optional standard deduction
A. A taxpayer may elect to take a standard deduction as follows:
   1. In the case of a single person or a married person filing separately, the standard deduction is $12,200, subject to subsection H of this section.
   2. In the case of a single person who is a head of a household, the standard deduction is $18,350, subject to subsection H of this section.
   3. In the case of a married couple filing a joint return, the standard deduction is $24,400, subject to subsection H of this section.
B. The standard deduction provided for in subsection A of this section is in lieu of all itemized deductions allowed by section 43-1042, which are to be subtracted from Arizona adjusted gross income in computing taxable income.
C. The standard deduction is allowed if the taxpayer so elects. The election is made by the taxpayer claiming on the tax return the amount provided for in this section in lieu of the itemized deductions allowed under section 43-1042. Electing to file a short form return or a
simplified return that does not allow itemized deductions to be claimed is considered to be an election to claim the standard deduction.

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

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

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

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

1. The spouse of the taxpayer filed a separate return for any taxable year corresponding, for the purposes of subsection D of this section, to the taxable year of the taxpayer unless both of the following apply:
   (a) The spouse makes a change of election with respect to the standard deduction for the taxable year covered in the separate return consistent with the change of election sought by the taxpayer.
   (b) The taxpayer and spouse consent in writing to the assessment, within such a period as may be agreed on with the department, of any deficiency, to the extent attributable to the change of election, even though at the time of filing the consent the assessment of the deficiency would otherwise be prevented by the operation of any law or rule of law.

2. The tax liability of the taxpayer or the taxpayer's spouse for the taxable year has been compromised.

H. For each taxable year beginning from and after December 31, 2019, the department shall adjust the dollar amounts prescribed by subsection A, paragraphs 1, 2 and 3 of this section for inflation in the same manner in which the federal basic standard deduction is adjusted for inflation pursuant to section 63 of the internal revenue code.

I. For taxable years beginning from and after December 31, 2018, the standard deduction allowed under subsection A of this section shall be increased by the amount equal to twenty-five percent of the total amount of a taxpayer's charitable deductions that would have been allowed if the taxpayer elected to claim itemized deductions under section 43-1042 rather than elect the standard deduction. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2021, THE DEPARTMENT SHALL ADJUST THE PERCENTAGE PRESCRIBED IN THIS SUBSECTION ACCORDING TO THE AVERAGE ANNUAL CHANGE IN THE METROPOLITAN PHOENIX CONSUMER PRICE INDEX PUBLISHED BY THE UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS, EXCEPT THAT THE ADJUSTED PERCENTAGE MAY NOT EXCEED ONE HUNDRED PERCENT. THE REVISED
PERCENTAGE SHALL BE RAISED TO THE NEAREST WHOLE PERCENT AND MAY NOT BE
REvised BELOW THE AMOUNTS PRESCRIBED IN THE PRIOR TAXABLE YEAR.

Sec. 18. Title 43, chapter 10, article 5, Arizona Revised Statutes,
is amended by adding section 43-1076.01, to read:

43-1076.01. Healthy forest production tax credit; definitions
A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2020, A
CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR PROCESSING
QUALIFYING FOREST PRODUCTS.

B. THE TAXPAYER IS ELIGIBLE FOR THE CREDIT IF ALL OF THE FOLLOWING
APPLY:
1. THE TAXPAYER HAS A CURRENT HEALTHY FOREST ENTERPRISE INCENTIVE
CERTIFICATION AND MEMORANDUM OF UNDERSTANDING WITH THE ARIZONA COMMERCE
AUTHORITY PURSUANT TO SECTION 41-1516.

2. THE TAXPAYER PROCESSES QUALIFYING FOREST PRODUCTS FROM A
QUALIFYING PROJECT FROM AND AFTER DECEMBER 31, 2020 AND BEFORE JANUARY 1,
2031.

3. THE FACILITY THAT PROCESSES QUALIFYING FOREST PRODUCTS IS
LOCATED WITHIN THIS STATE.

C. THE TAXPAYER IS ELIGIBLE FOR THE CREDIT FOR THE CALENDAR YEAR IN
WHICH THE QUALIFYING PROJECT PROCESSES QUALIFYING FOREST PRODUCTS PURSUANT
TO SUBSECTION B OF THIS SECTION.

D. IF THE ALLOWABLE CREDIT UNDER THIS SECTION EXCEEDS THE TAXES
OTHERWISE DUE UNDER THIS TITLE ON THE CLAIMANT'S INCOME, OR IF THERE ARE
NO TAXES DUE UNDER THIS TITLE, THE TAXPAYER MAY CARRY FORWARD THE AMOUNT
OF THE CLAIM NOT USED TO OFFSET THE TAXES UNDER THIS TITLE FOR NOT MORE
THAN FIVE CONSECUTIVE TAXABLE YEARS' INCOME TAX LIABILITY.

E. THE CREDIT AUTHORIZED BY THIS SECTION IS BASED ON THE NUMBER OF
TONS OF QUALIFYING FOREST PRODUCTS THAT A TAXPAYER PROCESSES DURING A
CALENDAR YEAR. FOR A TAXPAYER WHO FILES ON A FISCAL YEAR BASIS, THE CREDIT
SHALL BE CLAIMED ON THE RETURN FOR THE TAXABLE YEAR IN WHICH THE CALENDAR
YEAR ENDS.

F. SUBJECT TO SUBSECTION H OF THIS SECTION, THE AMOUNT OF THE
CREDIT IS $10,000 FOR THE FIRST TWENTY THOUSAND TONS AND $5,000 FOR EVERY
TEN THOUSAND TONS THEREAFTER OF QUALIFYING FOREST PRODUCTS THE TAXPAYER
PROCESSES IN THE CALENDAR YEAR.

G. TO BE ELIGIBLE FOR THE CREDIT UNDER THIS SECTION, THE TAXPAYER
MUST APPLY TO THE DEPARTMENT, ON A FORM PRESCRIBED BY THE DEPARTMENT, FOR
CERTIFICATION OF THE CREDIT. THE DEPARTMENT SHALL ACCEPT APPLICATIONS
BEGINNING JANUARY 2 THROUGH JANUARY 31 OF THE YEAR FOLLOWING THE CALENDAR
YEAR FOR WHICH THE CREDIT IS BEING REQUESTED. THE APPLICATION SHALL INCLUDE:
1. THE TAXPAYER'S NAME, ADDRESS AND SOCIAL SECURITY NUMBER OR
FEDERAL EMPLOYER IDENTIFICATION NUMBER.

2. THE LOCATION OF THE TAXPAYER'S FACILITY THAT PROCESSES
QUALIFYING FOREST PRODUCTS FOR WHICH THE CREDIT IS CLAIMED.
3. THE AMOUNT OF THE CREDIT THAT IS CLAIMED.
4. THE DATE THE TAXPAYER BEGAN PROCESSING COMMERCIAL MARKETABLE AMOUNTS OF QUALIFYING FOREST PRODUCTS.
5. ANY ADDITIONAL INFORMATION THAT THE DEPARTMENT REQUIRES.

H. THE DEPARTMENT SHALL REVIEW EACH APPLICATION UNDER SUBSECTION G OF THIS SECTION AND CERTIFY TO THE TAXPAYER THE AMOUNT OF THE CREDIT AUTHORIZED. THE AMOUNT OF THE CREDIT FOR ANY CALENDAR YEAR MAY NOT EXCEED $500,000 PER TAXPAYER WHO PROCESSES QUALIFYING FOREST PRODUCTS. CREDITS ARE ALLOWED UNDER THIS SECTION AND SECTION 43-1162 ON A FIRST-COME, FIRST-SERVED BASIS. THE DEPARTMENT MAY NOT AUTHORIZE TAX CREDITS UNDER THIS SECTION AND SECTION 43-1162 THAT EXCEED IN THE AGGREGATE A TOTAL OF $2,000,000 FOR ANY CALENDAR YEAR.

I. THE FIRST TIME A TAXPAYER SUBMITS A QUALIFIED APPLICATION UNDER SUBSECTION G OF THIS SECTION, THE DEPARTMENT SHALL ADD THE TAXPAYER'S NAME TO A CREDIT AUTHORIZATION LIST IN THE ORDER IN WHICH QUALIFIED APPLICATIONS ARE FIRST RECEIVED BY THE DEPARTMENT ON BEHALF OF THE TAXPAYER. A TAXPAYER'S POSITION ON THE CREDIT AUTHORIZATION LIST SHALL BE DETERMINED IN THE FIRST YEAR THE TAXPAYER SUBMITS AN APPLICATION UNDER SUBSECTION G OF THIS SECTION FOR PROCESSING QUALIFYING FOREST PRODUCTS. THE TAXPAYER'S POSITION ON THE LIST SHALL REMAIN UNCHANGED FOR THE REMAINDER OF THE PERIOD SPECIFIED IN SUBSECTION B, PARAGRAPH 2 OF THIS SECTION OR UNTIL A YEAR IN WHICH THE TAXPAYER FAILS TO SUBMIT A TIMELY APPLICATION UNDER SUBSECTION G OF THIS SECTION OR OTHERWISE FAILS TO COMPLY WITH THIS SECTION. IF A TAXPAYER IS REMOVED FROM THE CREDIT AUTHORIZATION LIST FOR PROCESSING QUALIFYING FOREST PRODUCTS, THE TAXPAYER MAY ESTABLISH A NEW POSITION ON THE CREDIT AUTHORIZATION LIST IN A SUBSEQUENT YEAR BY FILING A TIMELY APPLICATION FOR PROCESSING QUALIFYING FOREST PRODUCTS THAT QUALIFIES FOR THE CREDIT.

J. IF AN APPLICATION IS RECEIVED THAT, IF AUTHORIZED, WOULD REQUIRE THE DEPARTMENT TO EXCEED THE $2,000,000 LIMIT, THE DEPARTMENT SHALL GRANT THE APPLICANT ONLY THE REMAINING CREDIT AMOUNT THAT WOULD NOT EXCEED THE $2,000,000 LIMIT. AFTER THE DEPARTMENT AUTHORIZES $2,000,000 IN TAX CREDITS, THE DEPARTMENT SHALL DENY ANY SUBSEQUENT APPLICATIONS RECEIVED FOR THAT CALENDAR YEAR. THE DEPARTMENT MAY NOT AUTHORIZE ANY ADDITIONAL TAX CREDITS THAT EXCEED THE $2,000,000 LIMIT EVEN IF THE AMOUNTS THAT HAVE BEEN CERTIFIED TO ANY TAXPAYER WERE NOT CLAIMED OR A TAXPAYER OTHERWISE FAILS TO MEET THE REQUIREMENTS TO CLAIM THE ADDITIONAL CREDIT.

K. CO-OWNERS OF A FACILITY THAT PROCESSES QUALIFYING FOREST PRODUCTS, INCLUDING PARTNERS IN A PARTNERSHIP AND SHAREHOLDERS OF AN S CORPORATION AS DEFINED IN SECTION 1361 OF THE INTERNAL REVENUE CODE, MAY EACH CLAIM THE PRO RATA SHARE OF THE CREDIT ALLOWED UNDER THIS SECTION BASED ON OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS ALLOWED ALL SUCH OWNERS WHO PROCESS QUALIFYING FOREST PRODUCTS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN ALLOWED FOR A SOLE OWNER.
L. THE DEPARTMENT SHALL ADOPT RULES AND PUBLISH AND PRESCRIBE FORMS AND PROCEDURES AS NECESSARY TO EFFECTUATE THE PURPOSES OF THIS SECTION.

M. FOR THE PURPOSES OF THIS SECTION:

1. "PROCESSED" OR "PROCESSING" MEANS ANY CHANGE IN THE PHYSICAL STRUCTURE OF QUALIFYING FOREST PRODUCTS REMOVED FROM A QUALIFYING PROJECT INTO A MARKETABLE COMMERCIAL PRODUCT OR COMPONENT OF A PRODUCT THAT HAS COMMERCIAL VALUE TO A CONSUMER OR PURCHASER AND THAT IS READY TO BE USED WITH OR WITHOUT FURTHER ALTERING ITS FORM.

2. "QUALIFYING FOREST PRODUCTS" MEANS QUALIFYING FOREST PRODUCTS AS DEFINED IN SECTION 41-1516 THAT ARE SOURCED WITHIN THIS STATE.

3. "QUALIFYING PROJECT" HAS THE SAME MEANING PRESCRIBED IN SECTION 41-1516.

Sec. 19. Section 43-1089.01, Arizona Revised Statutes, is amended to read:

43-1089.01. Tax credit; public school fees and contributions; definitions
A. A credit is allowed against the taxes imposed by this title for the amount of any fees paid or cash contributions made by a taxpayer or on the taxpayer's behalf pursuant to section 43-401, subsection G during the taxable year to a public school located in this state for the following public school purposes:

1. Standardized testing for college credit or readiness offered by a widely recognized and accepted educational testing organization.

2. The career and technical education industry certification assessment.

3. Preparation courses and materials for standardized testing.

4. Cardiopulmonary resuscitation training pursuant to section 15-718.01.

5. Extracurricular activities.

6. Character education programs.

7. From and after June 30, 2019 through June 30, 2024:
   (a) Acquiring capital items, as defined in the uniform system of financial records, including those items listed in section 15-903, subsection C, paragraphs 2 through 8.
   (b) Community school meal programs.
   (c) Student consumable health care supplies.
   (d) Playground equipment and shade structures for playground equipment.

B. The amount of the credit shall not exceed:

1. $200 for a single individual or a head of household.

2. $400 for a married couple filing a joint return.

C. A husband and wife who file separate returns for a taxable year in which they could have filed a joint return may each claim only one-half of the tax credit that would have been allowed for a joint return.
D. The credit allowed by this section is in lieu of any deduction pursuant to section 170 of the internal revenue code and taken for state tax purposes.

E. If the allowable tax credit exceeds the taxes otherwise due under this title on the claimant's income, or if there are no taxes due under this title, the taxpayer may carry the amount of the claim not used to offset the taxes under this title forward for not more than five consecutive taxable years' income tax liability.

F. The site council of the public school that receives contributions that are not designated for a specific purpose shall determine how the contributions are used at the school site. If a charter school does not have a site council, the principal, director or chief administrator of the charter school shall determine how the contributions that are not designated for a specific purpose are used at the school site. If at the end of a fiscal year a public school has unspent contributions that were previously designated for a specific purpose or program and that purpose or program has been discontinued or has not been used for two consecutive fiscal years, these contributions shall be considered undesignated in the following fiscal year for the purposes of this subsection, and the site council may transfer these undesignated contributions to any school within the same school district.

G. A public school that receives fees or a cash contribution pursuant to subsection A of this section shall report to the department, in a form prescribed by the department, by February 28 of each year the following information:

1. The total number of fee and cash contribution payments received during the previous calendar year.
2. The total dollar amount of fees and contributions received during the previous calendar year.
3. The total dollar amount of fees and contributions spent by the school during the previous calendar year, categorized by specific standardized testing, preparation courses and materials for standardized testing, extracurricular activity or character education program.

H. For the purposes of this section, a contribution for which a credit is claimed and that is made on or before the fifteenth day of the fourth month following the close of the taxable year may be applied to either the current or preceding taxable year and is considered to have been made on the last day of that taxable year.

I. For the purposes of this section:
2. "Character education programs" means a program described in section 15-719.
3. "Community school meal program" means a school meal program that 
takes place before or after the regular school day on school property.

4. "Extracurricular activities" means school-sponsored activities 
that may require enrolled students to pay a fee in order to participate, 
including fees for:
   (a) Band uniforms.
   (b) Equipment or uniforms for varsity athletic activities.
   (c) Scientific laboratory materials.
   (d) In-state or out-of-state trips that are solely for competitive 
      events. Extracurricular activities do not include any senior trips or 
      events that are recreational, amusement or tourist activities.

5. "Public school" means a school that is part of a school 
district, a career technical education district or a charter school.

6. "Standardized testing for college credit or readiness" includes 
the SAT, PSAT, ACT, advanced placement and international baccalaureate 
diploma tests and other similar tests.

7. "Student consumable health care supplies" includes tissues, hand 
wipes, bandages and other health care consumables that are generally used 
by children.

8. "Widely recognized and accepted educational testing 
organization" means the college board, the ACT, the international 
baccalaureate and other organizations that are widely recognized and 
accepted by colleges and universities in the United States and that offer 
college credit and readiness examinations.

Sec. 20. Section 43-1122, Arizona Revised Statutes, is amended to 
read:

43-1122. Subtractions from Arizona gross income; corporations

In computing Arizona taxable income for a corporation, the following 
amounts shall be subtracted from Arizona gross income:

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

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

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

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

5. With respect to property that is sold or otherwise disposed of 
during the taxable year by a taxpayer that complied with section 43-1121,
paragraph 4 with respect to that property, the amount of depreciation that
has been allowed pursuant to section 167(a) of the internal revenue code
to the extent that the amount has not already reduced Arizona taxable
income in the current taxable year or prior taxable years.

6. With respect to a financial institution as defined in section
6-101, expenses and interest relating to tax-exempt income disallowed
pursuant to section 265 of the internal revenue code.

7. Dividends received from another corporation owned or controlled
directly or indirectly by a recipient corporation. For the purposes of
this paragraph, "control" means direct or indirect ownership or control of
fifty percent or more of the voting stock of the payor corporation by the
recipient corporation. Dividends shall have the meaning provided in
section 316 of the internal revenue code. This subtraction shall apply
without regard to section 43-961, paragraph 2 and article 4 of this
chapter.

8. Interest income received on obligations of the United States.

9. The amount of dividend income from foreign corporations. For
the purposes of this paragraph, gross up income as described in section 78
of the internal revenue code, global intangible low-taxed income as
defined in section 951A of the internal revenue code and subpart F income
as defined in section 952 of the internal revenue code shall be considered
foreign dividends.

10. The amount of net operating loss allowed by section 43-1123.

11. The amount of any state income tax refunds received that were
included as income in computing federal taxable income.

12. The amount of expense recapture included in income pursuant to
section 617 of the internal revenue code for mine exploration expenses.

13. The amount of deferred exploration expenses allowed by section
43-1127.

14. The amount of exploration expenses related to the exploration
of oil, gas or geothermal resources, computed in the same manner and on
the same basis as a deduction for mine exploration pursuant to section 617
of the internal revenue code. This computation is subject to the
adjustments contained in section 43-1121, paragraph 10 and paragraphs 12
and 13 of this section relating to exploration expenses.

15. The amortization of pollution control devices allowed by
section 43-1129.

16. The amount of amortization of the cost of child care facilities
pursuant to section 43-1130.

17. The amount of income from a domestic international sales
corporation required to be included in the income of its shareholders
pursuant to section 995 of the internal revenue code.

18. The income of an insurance company that is exempt under section
43-1201 to the extent that it is included in computing Arizona gross
income on a consolidated return pursuant to section 43-947.
19. The amount by which a capital loss carryover allowable pursuant to section 43-1130.01, subsection F exceeds the capital loss carryover allowable pursuant to section 1341(b)(5) of the internal revenue code.

20. An amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year computed as if the election described in section 168(k)(7) of the internal revenue code had been made for each applicable class of property in the year the property was placed in service.

21. The amount of eligible access expenditures paid or incurred during the taxable year to comply with the requirements of the Americans with disabilities act of 1990 (P.L. 101-336) or title 41, chapter 9, article 8 as provided by section 43-1124.

22. For taxable years beginning from and after December 31, 2017, the amount of any net capital gain included in Arizona gross income for the taxable year that is derived from the exchange of one kind of legal tender for another kind of legal tender. For the purposes of this paragraph:
   (a) "Legal tender" means a medium of exchange, including specie, that is authorized by the United States Constitution or Congress to pay debts, public charges, taxes and dues.
   (b) "Specie" means coins having precious metal content.

23. WITH RESPECT TO A PUBLIC SERVICE CORPORATION OPERATING A WATER SYSTEM OR SEWAGE DISPOSAL FACILITY, THE AMOUNT OF MONIES OR PROPERTY RECEIVED AS A CONTRIBUTION IN AID OF CONSTRUCTION. FOR THE PURPOSES OF THIS PARAGRAPH:
   (a) "CONTRIBUTION IN AID OF CONSTRUCTION" MEANS ANY AMOUNT OF MONIES OR OTHER PROPERTY CONTRIBUTED TO A PUBLIC SERVICE CORPORATION THAT PROVIDES WATER OR SEWAGE DISPOSAL SERVICES TO THE EXTENT THAT THE PURPOSE OF THE CONTRIBUTION IS TO PROVIDE FOR EXPANDING, IMPROVING OR REPLACING THE PUBLIC SERVICE CORPORATION'S WATER SYSTEM OR SEWAGE DISPOSAL FACILITIES, INCLUDING ANY AMOUNT OF MONIES OR OTHER PROPERTY CONTRIBUTED TO A PUBLIC SERVICE CORPORATION FOR A WATER SYSTEM OR SEWAGE DISPOSAL FACILITY SUBJECT TO A CONTINGENT OBLIGATION TO REPAY THE AMOUNT, IN WHOLE OR IN PART, TO THE CONTRIBUTOR.
   (b) "PUBLIC SERVICE CORPORATION" MEANS A PUBLIC SERVICE CORPORATION AS DEFINED IN ARTICLE XV, SECTION 2, CONSTITUTION OF ARIZONA, THAT IS REGULATED BY THE CORPORATION COMMISSION.

Sec. 21. Title 43, chapter 11, article 6, Arizona Revised Statutes, is amended by adding section 43-1162, to read:

43-1162. Healthy forest production tax credit; definitions

A. FOR TAXABLE YEARS BEGINNING FROM AND AFTER DECEMBER 31, 2020, A CREDIT IS ALLOWED AGAINST THE TAXES IMPOSED BY THIS TITLE FOR PROCESSING QUALIFYING FOREST PRODUCTS.

B. THE TAXPAYER IS ELIGIBLE FOR THE CREDIT IF ALL OF THE FOLLOWING APPLY:
1. The taxpayer has a current healthy forest enterprise incentive certification and memorandum of understanding with the Arizona Commerce Authority pursuant to section 41-1516.

2. The taxpayer processes qualifying forest products from a qualifying project from and after December 31, 2020 and before January 1, 2031.

3. The facility that processes qualifying forest products is located within this state.

C. The taxpayer is eligible for the credit for the calendar year in which the qualifying project processes qualifying forest products pursuant to subsection B of this section.

D. If the allowable credit under this section exceeds the taxes otherwise due under this title on the claimant's income, or if there are no taxes due under this title, the taxpayer may carry forward the amount of the claim not used to offset the taxes under this title for not more than five consecutive taxable years' income tax liability.

E. The credit authorized by this section is based on the number of tons of qualifying forest products that a taxpayer processes during a calendar year. For a taxpayer that files on a fiscal year basis, the credit shall be claimed on the return for the taxable year in which the calendar year ends.

F. Subject to subsection H of this section, the amount of the credit is $10,000 for the first twenty thousand tons and $5,000 for every ten thousand tons thereafter of qualifying forest products the taxpayer processes in the calendar year.

G. To be eligible for the credit under this section, the taxpayer must apply to the department, on a form prescribed by the department, for certification of the credit. The department shall accept applications beginning January 2 through January 31 of the year following the calendar year for which the credit is being requested. The application shall include:

1. The taxpayer's name, address and social security number or federal employer identification number.

2. The location of the taxpayer's facility that processes qualifying forest products for which the credit is claimed.

3. The amount of the credit that is claimed.

4. The date the taxpayer began processing commercially marketable amounts of qualifying forest products.

5. Any additional information that the department requires.

H. The department shall review each application under subsection G of this section and certify to the taxpayer the amount of the credit authorized. The amount of the credit for any calendar year may not exceed $500,000 per taxpayer that processes qualifying forest products. Credits are allowed under this section and section 43-1076.01 on a first-come, first-served basis. The department may not authorize tax credits under
THIS SECTION AND SECTION 43-1076.01 THAT EXCEED IN THE AGGREGATE A TOTAL OF $2,000,000 FOR ANY CALENDAR YEAR.

I. THE FIRST TIME A TAXPAYER SUBMITS A QUALIFIED APPLICATION UNDER SUBSECTION G OF THIS SECTION, THE DEPARTMENT SHALL ADD THE TAXPAYER'S NAME TO A CREDIT AUTHORIZATION LIST IN THE ORDER IN WHICH QUALIFIED APPLICATIONS ARE FIRST RECEIVED BY THE DEPARTMENT ON BEHALF OF THE TAXPAYER. A TAXPAYER'S POSITION ON THE CREDIT AUTHORIZATION LIST SHALL BE DETERMINED IN THE FIRST YEAR THE TAXPAYER SUBMITS AN APPLICATION UNDER SUBSECTION G OF THIS SECTION FOR PROCESSING QUALIFYING FOREST PRODUCTS. THE TAXPAYER'S POSITION ON THE LIST SHALL REMAIN UNCHANGED FOR THE REMAINDER OF THE PERIOD SPECIFIED IN SUBSECTION B, PARAGRAPH 2 OF THIS SECTION OR UNTIL A YEAR IN WHICH THE TAXPAYER FAILS TO SUBMIT A TIMELY APPLICATION UNDER SUBSECTION G OF THIS SECTION OR OTHERWISE FAILS TO COMPLY WITH THIS SECTION. IF A TAXPAYER IS REMOVED FROM THE CREDIT AUTHORIZATION LIST FOR PROCESSING QUALIFYING FOREST PRODUCTS, THE TAXPAYER MAY ESTABLISH A NEW POSITION ON THE CREDIT AUTHORIZATION LIST IN A SUBSEQUENT YEAR BY FILING A TIMELY APPLICATION FOR PROCESSING QUALIFYING FOREST PRODUCTS THAT QUALIFIES FOR THE CREDIT.

J. IF AN APPLICATION IS RECEIVED THAT, IF AUTHORIZED, WOULD REQUIRE THE DEPARTMENT TO EXCEED THE $2,000,000 LIMIT, THE DEPARTMENT SHALL GRANT THE APPLICANT ONLY THE REMAINING CREDIT AMOUNT THAT WOULD NOT EXCEED THE $2,000,000 LIMIT. AFTER THE DEPARTMENT AUTHORIZES $2,000,000 IN TAX CREDITS, THE DEPARTMENT SHALL DENY ANY SUBSEQUENT APPLICATIONS RECEIVED FOR THAT CALENDAR YEAR. THE DEPARTMENT MAY NOT AUTHORIZE ANY ADDITIONAL TAX CREDITS THAT EXCEED THE $2,000,000 LIMIT EVEN IF THE AMOUNTS THAT HAVE BEEN CERTIFIED TO ANY TAXPAYER WERE NOT CLAIMED OR A TAXPAYER OTHERWISE FAILS TO MEET THE REQUIREMENTS TO CLAIM THE ADDITIONAL CREDIT.

K. CO-OWNERS OF A FACILITY THAT PROCESSES QUALIFYING FOREST PRODUCTS, INCLUDING CORPORATE PARTNERS IN A PARTNERSHIP, MAY EACH CLAIM THE PRO RATA SHARE OF THE CREDIT ALLOWED UNDER THIS SECTION BASED ON OWNERSHIP INTEREST. THE TOTAL OF THE CREDITS ALLOWED ALL SUCH OWNERS THAT PROCESS QUALIFYING FOREST PRODUCTS MAY NOT EXCEED THE AMOUNT THAT WOULD HAVE BEEN ALLOWED FOR A SOLE OWNER.

L. THE DEPARTMENT SHALL ADOPT RULES AND PUBLISH AND PRESCRIBE FORMS AND PROCEDURES AS NECESSARY TO EFFECTUATE THE PURPOSES OF THIS SECTION.

M. FOR THE PURPOSES OF THIS SECTION:
   1. "PROCESSED" OR "PROCESSING" MEANS ANY CHANGE IN THE PHYSICAL STRUCTURE OF QUALIFYING FOREST PRODUCTS REMOVED FROM A QUALIFYING PROJECT INTO A MARKETABLE COMMERCIAL PRODUCT OR COMPONENT OF A PRODUCT THAT HAS COMMERCIAL VALUE TO A CONSUMER OR PURCHASER AND THAT IS READY TO BE USED WITH OR WITHOUT FURTHER ALTERING ITS FORM.
   2. "QUALIFYING FOREST PRODUCTS" MEANS QUALIFYING FOREST PRODUCTS AS DEFINED IN SECTION 41-1516 THAT ARE SOURCED WITHIN THIS STATE.
   3. "QUALIFYING PROJECT" HAS THE SAME MEANING PRESCRIBED IN SECTION 41-1516.
Sec. 22. Section 43-1184, Arizona Revised Statutes, is amended to read:

43-1184. Credit for contributions to school tuition organization; displaced students; students with disabilities

A. Beginning from and after June 30, 2009, a credit is allowed against the taxes imposed by this title for the amount of voluntary cash contributions made by the taxpayer during the taxable year to a school tuition organization that is certified pursuant to chapter 15 of this title at the time of donation.

B. The amount of the credit is the total amount of the taxpayer's contributions for the taxable year under subsection A of this section and is preapproved by the department of revenue pursuant to subsection D of this section.

C. The department of revenue:
   1. Shall not allow tax credits under this section and section 20-224.07 that exceed in the aggregate a combined total of five million dollars $5,000,000 in any fiscal year THROUGH FISCAL YEAR 2020-2021.
   BEGINNING IN FISCAL YEAR 2021-2022, THE AGGREGATE DOLLAR AMOUNT OF THE TAX CREDITS ALLOWED IS $6,000,000 IN ANY FISCAL YEAR.
   2. Shall preapprove tax credits under this section and section 20-224.07 subject to subsection D of this section.
   3. Shall allow the tax credits under this section and section 20-224.07 on a first-come, first-served FIRST-COME, FIRST-SERVED basis.

D. For the purposes of subsection C, paragraph 2 of this section, before making a contribution to a school tuition organization, the taxpayer under this title or title 20 must notify the school tuition organization of the total amount of contributions that the taxpayer intends to make to the school tuition organization. Before accepting the contribution, the school tuition organization shall request preapproval from the department of revenue for the taxpayer's intended contribution amount. The department of revenue shall preapprove or deny the requested amount within twenty days after receiving the request from the school tuition organization. If the department of revenue preapproves the request, the school tuition organization shall immediately notify the taxpayer that the requested amount was preapproved by the department of revenue. In order to receive a tax credit under this subsection, the taxpayer shall make the contribution to the school tuition organization within twenty days after receiving notice from the school tuition organization that the requested amount was preapproved. If the school tuition organization does not receive the preapproved contribution from the taxpayer within the required twenty days, the school tuition organization shall immediately notify the department of revenue and the department shall no longer include this preapproved contribution amount.
when calculating the limit prescribed in subsection C, paragraph 1 of this section.

E. If the allowable tax credit exceeds the taxes otherwise due under this title on the claimant's income, or if there are no taxes due under this title, the taxpayer may carry the amount of the claim not used to offset the taxes under this title forward for not more than five consecutive taxable years' income tax liability.

F. Co-owners of a business, including corporate partners in a partnership and stockholders of an S corporation as defined in section 1361 of the internal revenue code, may each claim only the pro rata share of the credit allowed under this section based on the ownership interest. The total of the credits allowed all such owners may not exceed the amount that would have been allowed a sole owner.

G. The credit allowed by this section is in lieu of any deduction pursuant to section 170 of the internal revenue code and taken for state tax purposes.

H. A taxpayer shall not claim a credit under this section and also under section 43-1183 with respect to the same contribution.

I. The tax credit is not allowed if the taxpayer designates the taxpayer's contribution to the school tuition organization for the direct benefit of any specific student.

J. The department of revenue shall adopt rules necessary for the administration of TO ADMINISTER this section.

Sec. 23. Section 43-1504, Arizona Revised Statutes, is amended to read:

43-1504. Special provisions; corporate donations for low-income scholarships; rules

A. A school tuition organization that receives contributions from a corporation for the purposes of section 20-224.06 or 43-1183 must use at least ninety percent of those contributions to provide educational scholarships or tuition grants only to children whose family income does not exceed one hundred eighty-five percent of the income limit required to qualify a child for reduced-price REDUCED-PRICE lunches under the national school lunch and child nutrition acts (42 United States Code sections 1751 through 1793) and to whom any of the following applies:

1. Attended a governmental primary or secondary school as a full-time student as defined in section 15-901 or attended a preschool program that offers services to students with disabilities at a governmental school for at least ninety days of the prior fiscal year or one full semester and transferred from a governmental school to a qualified school.

2. Enroll in a qualified school in a kindergarten program or a preschool program that offers services to students with disabilities.

3. ARE the dependent of a member of the armed forces of the United States who is stationed in this state pursuant to military orders.
4. ARE HOMESCHOoled BEFORE ENROLLING IN A QUALIFIED SCHOOL.
5. MOVED TO THIS STATE FROM OUT OF STATE BEFORE ENROLLING IN A
QUALIFIED SCHOOL.
6. PARTICIPATED IN AN ARIZONA EMPOWERMENT SCHOLARSHIP ACCOUNT AND
DID NOT RENEW THE ACCOUNT OR ACCEPT THE SCHOLARSHIP IN ORDER TO ACCEPT A
SCHOLARSHIP OR TUITION GRANT UNDER THIS SECTION.

‡ 7. Received an educational scholarship or tuition grant under
paragraph 1, 2, or 3, 4, 5 OR 6 of this subsection or chapter 16, article
1 of this title if the children continue to attend a qualified school in a
subsequent year.

B. A child is eligible to receive an educational scholarship or
tuition grant under subsection A of this section if the child meets the
criteria to receive a reduced-price REDUCED-PRICE lunch but does not
actually claim that benefit.

C. In 2006 2021, a school tuition organization shall not issue an
educational scholarship or a tuition grant for the purposes of section
20-224.06 or 43-1183 in an amount that exceeds $4,200 $5,600 for students
WHO ARE in a kindergarten program, a preschool program that offers
services to students with disabilities or grades one through eight or
$5,500 $7,500 for students WHO ARE in grades nine through twelve. In each
year after 2006 2021, the limitation LIMIT amount for a scholarship or a
grant under this subsection shall be increased by $100 $200.

D. A school tuition organization shall require that student
beneficiaries use the educational scholarships or tuition grants on a
full-time basis. If a child leaves the school before completing an entire
school year, the school shall refund a prorated amount of the educational
scholarship or tuition grant to the school tuition organization that
issued the scholarship or grant. The school tuition organization shall
allocate any refunds it receives under this subsection for educational
scholarships or tuition grants.

E. Students who receive an educational scholarship or tuition grant
under this section shall be allowed to attend any qualified school of
their parents' choice.

F. The department of revenue, with the cooperation of the
department of insurance and financial institutions, shall adopt rules and
publish and prescribe forms and procedures necessary for the
administration of TO ADMINISTER this section.

Sec. 24. Section 43-1603, Arizona Revised Statutes, is amended to
read:

43-1603. Operational requirements for school tuition
organizations; notice; qualified schools

A. A certified school tuition organization must be established to
receive contributions from taxpayers for the purposes of income tax
credits under sections 43-1089 and 43-1089.03 and to pay educational
scholarships or tuition grants to allow students to attend any qualified school of their parents' choice.

B. To be eligible for certification and retain certification, the school tuition organization:
   1. Must allocate at least ninety percent of its annual revenue from contributions made for the purposes of sections 43-1089 and 43-1089.03 for educational scholarships or tuition grants.
   2. Shall not limit the availability of educational scholarships or tuition grants to only students of one school.
   3. May allow donors to recommend student beneficiaries, but shall not award, designate or reserve scholarships solely on the basis of donor recommendations.
   4. Shall not allow donors to designate student beneficiaries as a condition of any contribution to the organization, or facilitate, encourage or knowingly permit the exchange of beneficiary student designations in violation of section 43-1089, subsection F, section 43-1089.03, subsection F and section 43-1089.04, subsection E.
   5. Shall include on the organization's website, if one exists, the percentage and total dollar amount of educational scholarships and tuition grants awarded during the previous fiscal year to:
      (a) Students whose family income meets the economic eligibility requirements established under the national school lunch and child nutrition acts (42 United States Code sections 1751 through 1793) for free or reduced-price lunches.
      (b) Students whose family income exceeds the threshold prescribed by subdivision (a) of this paragraph but does not exceed one hundred eighty-five percent of the economic eligibility requirements established under the national school lunch and child nutrition acts (42 United States Code sections 1751 through 1793) for free or reduced-price lunches.
   6. Must not award educational scholarships or tuition grants to students who are simultaneously enrolled in a district school or charter school and a qualified school.

C. A school tuition organization shall include the following notice in any printed materials soliciting donations, in applications for scholarships and on its website, if one exists:

   Notice
   A school tuition organization cannot award, restrict or reserve scholarships solely on the basis of a donor's recommendation.
   A taxpayer may not claim a tax credit if the taxpayer agrees to swap donations with another taxpayer to benefit either taxpayer's own dependent.
D. In evaluating applications and awarding, designating or reserving scholarships, a school tuition organization:
   1. Shall not award, designate or reserve a scholarship solely on the recommendation of any person contributing money to the organization, but may consider the recommendation among other factors.
   2. Shall consider the financial need of applicants.
E. A taxpayer’s contribution to a school tuition organization that exceeds the amount of the credit allowed by section 43-1089 but does not exceed the amount of the credit allowed by section 43-1089.03 is considered a contribution pursuant to section 43-1089.03. A school tuition organization must use at least ninety percent of contributions made pursuant to section 43-1089.03 for educational scholarships or tuition grants for students to whom any of the following applies:
   1. Attended a governmental primary or secondary school as a full-time student as defined in section 15-901 or attended a preschool program that offers services to students with disabilities at a governmental school for at least ninety days of the prior fiscal year and transferred from a governmental school to a qualified school.
   2. Enroll in a qualified school in a kindergarten program or a preschool program that offers services to students with disabilities.
   3. Are the dependent of a member of the armed forces of the United States who is stationed in this state pursuant to military orders.
   4. Are homeschooled before enrolling in a qualified school.
   5. Moved to this state from out of state before enrolling in a qualified school.
   6. Participated in an Arizona Empowerment Scholarship Account and did not renew the account or accept the scholarship in order to accept a scholarship or tuition grant under this section.
   7. Received an educational scholarship or tuition grant under paragraph 1, 2, or 3, 4, 5 or 6 of this subsection or under chapter 15 of this title if the student continues to attend a qualified school in a subsequent year.
F. In awarding educational scholarships or tuition grants from contributions made pursuant to section 43-1089.03, a school tuition organization shall give priority to students and siblings of students on a waiting list for scholarships if the school tuition organization maintains a waiting list.
G. If an individual educational scholarship or tuition grant exceeds the school’s tuition, the amount in excess shall be returned to the school tuition organization that made the award or grant. The school tuition organization may allocate the returned monies as a multiyear award for that student and report the award pursuant to section 43-1604, subsection A, paragraph 5, subdivision (b) or may allocate the returned monies for educational scholarships or tuition grants for other students.
Sec. 25. Section 48-807, Arizona Revised Statutes, is amended to read:

48-807. County fire district assistance tax; annual budget; override; monthly financial reports

A. The board of supervisors of a county shall levy, at the time of levying other property taxes, a county fire district assistance tax on the taxable property in the county of not more than $.10 per $100 of assessed valuation. The tax levy provided for in this subsection shall be a levy of secondary property taxes and shall not be subject to title 42, chapter 17, article 2. The county treasurer shall pay to each fire district, including a fire district formed pursuant to section 48-851, in the county from the proceeds of the tax an amount equal to twenty percent of the property tax levy adopted by the district for the fiscal year in which the tax will be levied, except that:

1. The amount of assistance from the county to a fire district shall be reduced as follows:
   (a) Through the fiscal year that ends June 30, 2012, by the dollar amount that the fire district receives from the fire district assistance tax that exceeds $300,000 from and after June 30 of each fiscal year.
   (b) Beginning with the fiscal year that starts July 1, 2012, by the dollar amount that the fire district receives from the fire district assistance tax that exceeds $400,000 from and after June 30 of each fiscal year, without regard to whether the district is located in more than one county.
   (c) Except as provided in paragraph 2 of this subsection, if the total amount to be paid to all districts in the county under this paragraph exceeds the amount to be raised by the levy of $.10 per $100 assessed valuation, then the county treasurer shall pay an amount less than twenty percent of the property tax levy of each district. The amount to be paid by the county treasurer to each district shall be determined by multiplying the proceeds of the county fire district assistance tax against the proportion that twenty percent of the property tax levy of each district bears to the total of twenty percent of the property tax levies of all fire districts in the county.

2. For fiscal years beginning from and after July 1, 1992, the amount of assistance from the county to a fire district shall not be less than the assistance provided from and after June 30, 1991 through June 30, 1992, if, for the fiscal year in which the tax will be levied, the district levies a tax, in addition to any tax levied under section 48-806, of $3 per $100 of assessed valuation and the assessed valuation is at least ninety percent of the assessed valuation for the 1991 tax year. This paragraph does not apply to fire districts subject to paragraph 1, subdivision (a) or (b) of this subsection.

B. For the purpose of subsection A of this section, the property tax levy of the fire district shall include in lieu contributions pursuant
to chapter 1, article 8 of this title but shall not include property tax
levies to be applied to the payment of principal and interest on bonds
issued pursuant to section 48-806.
C. Beginning with the fiscal year that starts July 1, 2016, a
consolidated district shall not receive more than the maximum allowable
amount in fire district assistance tax monies as prescribed in subsection
D of this section, without regard to whether the consolidated district is
located in more than one county.
D. Beginning with the fiscal year that starts July 1, 2016, for any
two or more fire districts that merge or consolidate to form a
consolidated district on or after July 1, 2014, the consolidated district
may continue to receive monies in an amount not to exceed the sum of the
average of the amount of fire district assistance tax monies received by
each of the consolidating or merging districts in the five fiscal years
immediately preceding the merger or consolidation as prescribed in
subsection A of this section, without regard to whether the consolidated
district is located in more than one county.
E. For a consolidated district that is formed in any fiscal year
beginning July 1, 2014 or later and that is receiving fire district
assistance tax monies that are reduced as prescribed in subsection A,
paragraph 1, subdivision (c) of this section, if the total amount of fire
district assistance tax monies that would be paid to all districts in the
county pursuant to subsection A of this section is less than the amount of
monies that would be raised by the levy of $.10 per $100 assessed
valuation, the county treasurer shall pay the consolidated district the
amount of fire district assistance tax monies prescribed by subsection A
of this section that would have been paid to the districts at the time the
districts merged or consolidated.
F. The board, based on the budget submitted by the district, shall
levy, in addition to any tax levied as provided in section 48-806, a tax
not to exceed $3.25 per $100 of assessed valuation THRU TAX YEAR 2021,
$3.375 PER $100 OF ASSESSED VALUATION FOR TAX YEAR 2022 AND $3.50 PER $100
OF ASSESSED VALUATION FOR TAX YEAR 2023 AND EACH TAX YEAR THEREAFTER, or
the amount of the levy in the preceding tax year multiplied by 1.08,
whichever levy is less, and minus any amounts required to reduce the levy
pursuant to subsection I of this section, against all property situated
within the district boundaries and appearing on the last assessment roll.
The levy shall be made and the taxes collected in the manner, at the time
and by the officers provided by law for the collection of general county
taxes.
G. The qualified electors of the district, voting in an election as
prescribed by subsection H of this section, may authorize the board to
levy a tax exceeding the limits prescribed by subsection F of this section
under one, but not both, of the following options:
1. The electors may authorize a permanent override allowing annual
levies without reference to the levy in the preceding tax year, but
remaining subject to the tax rate limit of $3.25 per $100 of assessed
valuation THROUGH TAX YEAR 2021, $3.375 PER $100 OF ASSESSED VALUATION FOR
TAX YEAR 2022 AND $3.50 PER $100 OF ASSESSED VALUATION FOR TAX YEAR 2023
AND EACH TAX YEAR THEREAFTER. An election for the purposes of this
paragraph must be held at a regularly scheduled general election held on
the first Tuesday following the first Monday in November as prescribed by
section 16-204, subsection F.

2. If the net assessed valuation of all property in the district
declines by a combined total of twenty percent or more over two
consecutive valuation years, the electors voting at the next regularly
scheduled general election held on the first Tuesday following the first
Monday in November as prescribed by section 16-204, subsection F may
authorize an override for five consecutive tax years allowing annual
levies that are exempt from the tax rate limit of $3.25 THROUGH TAX YEAR
2021, $3.375 FOR TAX YEAR 2022 AND $3.50 FOR TAX YEAR 2023 AND EACH TAX
YEAR THEREAFTER, but subject to an annual levy limit of the amount of the
levy in the preceding tax year multiplied by 1.05. After the fifth tax
year, the district is again subject to the limits prescribed by subsection
F of this section, computed by multiplying the levy beginning in the year
preceding the override by 1.08 for each year through the current tax year.

H. The call for an override election held for the purposes of
subsection G of this section must state:
1. The purpose for requesting additional secondary property tax
revenue for the district.
2. If the voters approve the levy:
   (a) The maximum dollar amount of secondary property tax that may be
collecting in the first year compared to the existing maximum secondary
property tax levy prescribed in subsection F of this section.
   (b) The estimated secondary property tax rate to fund the proposed
levy under subdivision (a) of this paragraph in the first tax year
compared to the secondary property tax rate levied in the current year.

I. If the district annexes additional territory, the limit under
subsection F of this section shall be adjusted by applying the district's
tax rate to the assessed valuation of the annexed property in the
preceding tax year. If districts are merged or consolidated under this
chapter, the limitation under this subsection in the first year after the
districts are merged or consolidated is the total of the levies of the
merged or consolidated districts in the preceding tax year multiplied by
1.08 or the amount of the levies allowed by the maximum rate prescribed by
subsection F of this section, whichever is less.

J. The district shall maintain any property tax revenues collected
in excess of the sum of the amounts of taxes collectible pursuant to
section 42-17054 and the allowable levy determined under subsection F of
this section in a separate fund and used to reduce the property tax levy
in the following tax year.

K. The levy limit under this section is considered to be increased
each year to the maximum limit permissible under subsection F of this
section regardless of whether the district actually levies taxes up to the
maximum permissible amount in that year.

L. The county treasurer shall keep the money received from taxes
levied pursuant to subsection F of this section in a separate fund known
as the "fire district general fund" of the district for which collected.
Any surplus remaining in the fire district general fund at the end of the
fiscal year shall be credited to the fire district general fund of the
district for which it was collected for the succeeding fiscal year and
after subtraction of accounts payable and encumbrances, shall be used to
reduce the property tax levy in the following tax year.

M. A fire district may maintain separate accounts with a financial
institution that is authorized to do business in this state for the
purpose of operating a payroll account or for holding special revenues or
ambulance revenues, or both, as necessary to fulfill the district's
fiduciary responsibilities.

N. A fire district, through the county treasurer, shall establish
the relevant governmental funds necessary for the proper management and
fiscal accountability of district monies from property taxes, grants,
contributions and donations, as defined by the government accounting
standards board. Unless the monies received are legally restricted by
contract, agreement or law, those monies may be transferred between fund
accounts according to the original or amended budget of the fire district.

O. A fire district shall reconcile all balance sheet accounts for
accounts for each calendar month of the fiscal year within thirty days
after the end of that calendar month. The fire district board shall
review the reconciled balance sheet accounts monthly, except that for a
fire district that is governed by a three-member board, the board may
review the reconciled balance sheet accounts every two months.

P. A fire district shall produce monthly financial reports to
include a register of checks, substitute checks, warrants and deposits, a
record of electronic funds transfers, a statement of financial activities
and a statement of net assets for each calendar month. A fire district
shall produce a cash flow projection report for each fiscal year. The
cash flow projection report shall be updated monthly with the actual
revenues and expenditures from the preceding month. Each month, the fire
district board shall review the financial reports, the updated cash flow
projections report and all month-end fund statements and reports of the
preceding month to include those reports provided by the county treasurer
and each of the financial institutions in which the district maintains an
account, except that for a fire district that is governed by a
three-member board, the board may review the reports and statements
prescribed by this subsection every two months. Any financial report or
cash flow projection report that would indicate that the district is
likely to violate section 48-805.02, subsection D, paragraph 1 or that
would indicate an adverse impact on the ongoing operations or liquidity of
the district shall be reported by the fire district board chairman in
writing and delivered by certified mail to the county treasurer and the
county board of supervisors within ten days after the discovery.

Q. Within sixty days after submittal of a written report pursuant
to subsection P of this section by the fire district board chairman to the
county treasurer and the county board of supervisors that states the fire
district is likely to violate section 48-805.02, subsection D, paragraph 1
or that indicates an adverse impact on the ongoing operations or liquidity
of the fire district, the district shall complete a study of merger,
consolidation or joint operating alternatives. The fire district shall
hold a special public meeting as prescribed in section 48-805.02,
subsection D to present the findings of the study. Within five days after
the special public meeting, the fire district board chairman shall submit
the findings of the study to the county treasurer and county board of
supervisors.

R. Notwithstanding section 11-605, a fire district may register or
record warrants, substitute checks or electronic funds transfers only if
separate accounts are maintained by the county treasurer for each
governmental fund of a fire district. Warrants, substitute checks or
electronic funds transfers may be registered or recorded only on the
maintenance and operation account, the unrestricted capital outlay account
and the special revenue account, and only if the total cash balance of all
three accounts is insufficient to pay the warrants, substitute checks or
electronic funds transfers and after any revolving line of credit has been
expended as prescribed in section 11-635.

S. When a fire district has adopted a budget and the board of
supervisors has levied a fire district tax as provided in subsection F of
this section and the district has insufficient money in the district's
general fund with the county treasurer to operate the district, the
chairman of the board, on or after August 1 of each year, may draw
warrants, substitute checks or electronic funds transfers for the purposes
prescribed in section 48-805 on the county treasurer, payable on
November 1 of that year or on April 1 of the succeeding year. The
aggregate amounts of the warrants, substitute checks or electronic funds
transfers may not exceed ninety percent of the taxes levied by the county
for the district's current fiscal year. If the treasurer cannot pay a
warrant, substitute check or electronic funds transfer for lack of funds
in the fire district general fund, the warrant or substitute check shall
be endorsed and registered, or the electronic funds transfer shall be
recorded, and the warrant, substitute check or electronic funds transfer
shall bear interest and be redeemed as provided by law for county
warrants, substitute checks or electronic funds transfers, except that the
warrants, substitute checks or electronic funds transfers are payable only
from the fire district general fund.

Sec. 26. Refunds

Any claim for refund of transaction privilege or use tax based on
the retroactive application of section 42-5061, subsection B, paragraph
18, Arizona Revised Statutes, as amended by this act, and section 42-5159,
subsection B, paragraph 18, Arizona Revised Statutes, as amended by this
act, shall be submitted to the department of revenue on or before December
31, 2021, pursuant to section 42-1118, Arizona Revised Statutes, and is
subject to the following:

1. A failure to file such a claim on or before December 31, 2021
constitutes a waiver of the claim for refund.

2. The aggregate refund amount may not exceed $10,000 for such
claims filed from and after December 31, 2020 through December 31, 2021.

3. If the aggregate refund amount of such claims ultimately
determined to be correct is more than $10,000, the department of revenue
shall reduce each claim proportionally so that the aggregate refund amount
equals $10,000.

4. Interest is not allowed and may not be compounded on any
refundable amount of such claims if paid before July 1, 2022, but if the
amount cannot be determined or paid until after June 30, 2022, interest
accrues after that date pursuant to section 42-1123, Arizona Revised
Statutes.

5. Any refund claim that is filed before January 1, 2021 or that is
not related to the changes under this act is not subject to the $10,000
aggregate refund amount.

Sec. 27. Renewable energy production tax credit; calendar
year 2021; application deadline; retroactivity

A. Notwithstanding any other law, for calendar year 2021, to be
eligible for the renewable energy production tax credit under section
43-1083.02 or 43-1164.03, Arizona Revised Statutes, the taxpayer must
apply to the department of revenue before February 7 of the year following
the calendar year for which the credit is being requested.

B. This section applies retroactively to from and after January 1,
2021.

Sec. 28. Contributions to qualifying foster care charitable
organizations; taxable year 2021; definitions;
retroactivity; delayed repeal

A. Notwithstanding any other law, for the purposes of the tax
credit for contributions to qualifying foster care charitable
organizations under section 43-1088, subsection B, Arizona Revised
Statutes, for taxable year 2021, the following definitions apply:
1. "Qualifying foster care charitable organization" means a qualifying charitable organization as defined in section 43-1088, Arizona Revised Statutes, that each operating year provides services to at least two hundred qualified individuals in this state and spends at least fifty percent of its budget on services to qualified individuals in this state.

2. "Qualified individual" means any of the following:
   (a) A foster child as defined in section 8-501, Arizona Revised Statutes.
   (b) A person who is participating in an independent living program as prescribed by section 8-521, Arizona Revised Statutes.
   (c) A person who is participating in a transitional independent living program as prescribed by section 8-521.01, Arizona Revised Statutes.
   (d) A person who is participating in an extended foster care program as prescribed by section 8-521.02, Arizona Revised Statutes.
   (e) A person who is under twenty-seven years of age and whose reason for leaving foster care is any of the following:
      (i) Reaching eighteen years of age.
      (ii) Adoption or legal guardianship after reaching sixteen years of age.
      (iii) Reunification at fourteen years of age or fifteen years of age.

B. This section applies retroactively to taxable years from and after December 31, 2020.
C. This section is repealed from and after December 31, 2021.

Sec. 29. Purpose
Pursuant to section 43-223, Arizona Revised Statutes, the legislature enacts sections 43–1076.01 and 43-1162, Arizona Revised Statutes, as added by this act, to encourage the existing forest product industry to increase its capacity and invest in additional forest processing infrastructure and to provide incentives for new industry to locate in Arizona to increase the pace and scale of forest restoration in support of sound forest management and watershed protection.

Sec. 30. Retroactivity
A. Section 42-5159, Arizona Revised Statutes, as amended by this act, and section 42-5061, as amended by Laws 2019, chapter 273, section 7 and chapter 288, section 1 and this act, apply retroactively to taxable periods beginning from and after December 31, 2015.
B. Section 43-1122, Arizona Revised Statutes, as amended by this act, applies retroactively to taxable years beginning from and after December 31, 2020.
C. Section 43-1022, Arizona Revised Statutes, as amended by this act, sections 43-1076.01 and 43-1162, Arizona Revised Statutes, as added by this act, and sections 43-1504 and 43-1603, Arizona Revised Statutes,
as amended by this act, apply retroactively to taxable years beginning
from and after December 31, 2020.

D. Section 43-1184, Arizona Revised Statutes, as amended by this
act, applies retroactively to from and after June 30, 2021.

Sec. 31. Effective date
Section 23-780, Arizona Revised Statutes, as amended by this act, is
effective from and after June 30, 2022.

Sec. 32. Conditional enactment; retroactivity
Section 42-5061, Arizona Revised Statutes, as amended by Laws 2019,
chapter 273, section 8 and chapter 288, section 2 and this act, becomes
effective on the date prescribed by Laws 2018, chapter 263, section 5 and
applies retroactively to taxable periods beginning from and after December
31, 2015, but only on the occurrence of the condition prescribed by Laws
2018, chapter 263, section 5.

APPROVED BY THE GOVERNOR JUNE 30, 2021.