SENATE BILL 1184

AN ACT

AMENDING SECTIONS 9-1304, 11-1704 AND 33-1314, ARIZONA REVISED STATUTES; AMENDING TITLE 33, CHAPTER 10, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 33-1332; REPEALING SECTION 33-1332, ARIZONA REVISED STATUTES; AMENDING SECTIONS 42-5029 AND 42-6004, ARIZONA REVISED STATUTES; REPEALING SECTION 42-6011, ARIZONA REVISED STATUTES; AMENDING SECTION 42-15103, ARIZONA REVISED STATUTES; RELATING TO LOCAL EXCISE TAXES.

(TEXT OF BILL BEGINS ON NEXT PAGE)
Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 9-1304, Arizona Revised Statutes, is amended to read:

9-1304. Adoption of citywide residential rental property licensing, registration or inspection program; requirements

A. A city or town may adopt a citywide residential rental property inspection program only if the following occurs:

1. The city or town conducts a public hearing and adopts the rental property inspection program ordinance or resolution at a regularly held city or town council meeting that occurs at least thirty days after the public hearing.

2. The ordinance or resolution is adopted by at least a three-fourths vote of the entire council.

3. The city or town notifies all owners of residential rental properties who are then currently registered with the county assessor of the county in which the property is located.

4. The notice to owners is mailed by first class mail at least twenty days in advance of the required public hearing.

5. A notice of the public hearing is published in a local newspaper of general circulation and posted on any official municipal website not less than two weeks before the required public hearing.

B. A city or town shall not adopt a residential rental licensing requirement for residential rental properties or property owners. This subsection does not prohibit a city or town that imposes a sales tax on rent from requiring a transaction privilege tax license for residential rental property owners.

C. A city or town shall not adopt a residential rental registration requirement. A city or town shall obtain rental registration information only from the county assessor's office for the county in which the residential rental property is located.

Sec. 2. Section 11-1704, Arizona Revised Statutes, is amended to read:

11-1704. Adoption of countywide residential rental property licensing, registration or inspection program; requirements

A. A county may adopt a countywide residential rental property inspection program only if the following occurs:

1. The county conducts a public hearing and adopts the rental property inspection program ordinance or resolution at a regularly held county board meeting that occurs at least thirty days after the public hearing.

2. The ordinance or resolution is adopted by at least a majority vote of the entire board.
3. The county notifies all owners of residential rental properties who are then currently registered with the county assessor of the county.

4. The notice to owners is mailed by first class mail at least twenty days in advance of the required public hearing.

5. A notice of the public hearing is published in a local newspaper of general circulation and posted on any official county website not less than two weeks before the required public hearing.

B. A county shall not adopt a residential rental licensing requirement for residential rental properties or property owners. This subsection does not prohibit a county that imposes a sales tax on rent from requiring a transaction privilege tax license for residential rental property owners.

C. A county shall not adopt a residential rental registration requirement. A county shall obtain rental registration information only from the county assessor's office.

Sec. 3. Section 33-1314, Arizona Revised Statutes, is amended to read:

33-1314. Terms and conditions of rental agreement; contact information; property; pets

A. The landlord and tenant may include in a rental agreement terms and conditions not prohibited by this chapter or any other rule of law, including rent, term of the agreement and other provisions governing the rights and obligations of the parties.

B. In the absence of a rental agreement, the tenant shall pay as rent the fair rental value for the use and occupancy of the dwelling unit.

C. Rent shall be payable without demand or notice at the time and place agreed on by the parties. Unless otherwise agreed, rent is payable at the dwelling unit and periodic rent is payable at the beginning of any term of one month or less and otherwise in equal monthly installments at the beginning of each month. Unless otherwise agreed, rent shall be uniformly apportionable from day-to-day.

D. Unless the rental agreement fixes a definite term, the tenancy shall be week-to-week in case of a roomer who pays weekly rent, and in all other cases month-to-month.

E. If a municipality that levies a transaction privilege tax on residential rent changes the percentage of that tax, the landlord on thirty days' written notice to the tenant may adjust the amount of rent due to equal the difference caused by the new percentage amount of the tax. The adjustment to rent shall not occur before the date on which the new tax is effective. In order for a landlord to adjust rent pursuant to this subsection, the landlord's right to adjust rent pursuant to this subsection shall be disclosed in the rental agreement.

F. E. Notwithstanding section 14-3911, the landlord may request and the tenant may provide and routinely update the name and contact
information of a person who is authorized by the tenant to enter the
tenant's dwelling unit to retrieve and store the tenant's property,
including the tenant's animal, if the tenant dies or is otherwise
incapacitated. If the landlord is unable to contact the authorized person
at the address and telephone number provided to the landlord by the tenant
or the authorized person fails to respond to the landlord's request within
one day for the animal or ten days for all other property after initial
written contact, the landlord may dispose of the property as prescribed in
section 33-1370 or may deem the animal abandoned, and if deemed abandoned,
shall remove AND RELEASE the animal to an animal shelter or boarding
facility as prescribed in section 33-1370, subsection E. The landlord may
release the animal to a relative of the deceased or incapacitated tenant
if any of the following applies:
1. The landlord was not provided the contact information of a
   person who is authorized by the tenant to retrieve the tenant's animal.
2. The contact information is no longer valid.
3. The landlord is unable to contact the authorized person after
   one calendar day.
G. Before removing any of the tenant's personal property or the
   tenant's animal, the authorized person shall present to the landlord a
   valid government issued identification that confirms the identity of the
   authorized person. The authorized person shall have twenty days after the
date of initial written contact by the landlord or the last date for which
rent is paid, whichever is longer, to remove items from the rental
property and return keys to the landlord during regular business hours.
If the landlord allows an authorized person to enter the property to
remove the tenant's personal possessions as prescribed by this subsection,
the landlord has no further liability to the tenant, the tenant's estate
or the tenant's heirs for lost, damaged or stolen items. If the tenant's
personal property is not entirely removed from the rental unit by an
authorized person, the landlord may dispose of the property as prescribed
in section 33-1370.
H. Subsections F - E and G - F of this section apply only as
follows:
1. To the tenant's personal property if the periodic rent is unpaid
   and outstanding for at least five days.
2. To the tenant's animal if the tenant is deceased or is otherwise
   incapacitated.
Sec. 4. Title 33, chapter 10, article 2, Arizona Revised Statutes,
is amended by adding section 33-1332, to read:
33-1332. Rent reduction
ON OR BEFORE JANUARY 1, 2024, THE LANDLORD OF REAL PROPERTY THAT IS
RENTED OR LEASED FOR RESIDENTIAL PURPOSES AND THAT IS LOCATED IN A CITY,
TOWN OR OTHER TAXING JURISDICTION THAT LEVIES A TRANSACTION PRIVILEGE TAX
ON THE BUSINESS OF RENTING OR LEASING REAL PROPERTY FOR RESIDENTIAL
PURPOSES SHALL REDUCE THE AMOUNT OF RENT DUE BY AN AMOUNT EQUAL TO THE DIFFERENCE CAUSED BY THE ELIMINATION OF THE TRANSACTION PRIVILEGE TAX ON THE BUSINESS OF RENTING OR LEASING REAL PROPERTY FOR RESIDENTIAL PURPOSES.

Sec. 5. **Delayed repeal**

Section 33-1332, Arizona Revised Statutes, as added by this act, is repealed from and after December 31, 2026.

Sec. 6. Section 42-5029, Arizona Revised Statutes, is amended to read:

42-5029. **Remission and distribution of monies; withholding; definition**

A. The department shall deposit, pursuant to sections 35-146 and 35-147, all revenues collected under this article and articles 4, 5 and 8 of this chapter pursuant to section 42-1116, separately accounting for:

1. Payments of estimated tax under section 42-5014, subsection D.
2. Revenues collected pursuant to section 42-5070.
3. Revenues collected under this article and article 5 of this chapter from and after June 30, 2000 from sources located on Indian reservations in this state.
4. Revenues collected pursuant to section 42-5010, subsection G and section 42-5155, subsection D.
5. Revenues collected pursuant to section 42-5010.01 and section 42-5155, subsection E.
6. REVENUES COLLECTED PURSUANT TO SECTION 42-5061 FROM A REMOTE SELLER.

B. The department shall credit payments of estimated tax to an estimated tax clearing account and each month shall transfer all monies in the estimated tax clearing account to a fund designated as the transaction privilege and severance tax clearing account. The department shall credit all other payments to the transaction privilege and severance tax clearing account, separately accounting for the monies designated as distribution base under sections 42-5010, 42-5164 and 42-5205. Each month the department shall report to the state treasurer the amount of monies collected pursuant to this article and articles 4, 5 and 8 of this chapter.

C. On notification by the department, the state treasurer shall distribute the monies deposited in the transaction privilege and severance tax clearing account in the manner prescribed by this section and by sections 42-5164 and 42-5205, after deducting warrants drawn against the account pursuant to sections 42-1118 and 42-1254.

D. Of the monies designated as distribution base, the department shall:

1. Pay twenty-five percent to the various incorporated municipalities in this state in proportion to their population to be used by the municipalities for any municipal purpose, **EXCEPT A MUNICIPALITY SHALL USE MONIES PAID FROM REVENUES SEPARATELY ACCOUNTED FOR PURSUANT TO**
SUBSECTION A, PARAGRAPH 6 OF THIS SECTION AND PAID PURSUANT TO THIS PARAGRAPH FOR PUBLIC SAFETY BEFORE ANY OTHER MUNICIPAL PURPOSE.

2. Pay 38.08 percent to the counties in this state by averaging the following proportions:
   (a) The proportion that the population of each county bears to the total state population.
   (b) The proportion that the distribution base monies collected during the calendar month in each county under this article, section 42-5164, subsection B and section 42-5205, subsection B bear to the total distribution base monies collected under this article, section 42-5164, subsection B and section 42-5205, subsection B throughout the state for the calendar month.

3. Pay an additional 2.43 percent to the counties in this state as follows:
   (a) Average the following proportions:
      (i) The proportion that the assessed valuation used to determine secondary property taxes of each county, after deducting that part of the assessed valuation that is exempt from taxation at the beginning of the month for which the amount is to be paid, bears to the total assessed valuations used to determine secondary property taxes of all the counties after deducting that portion of the assessed valuations that is exempt from taxation at the beginning of the month for which the amount is to be paid. Property of a city or town that is not within or contiguous to the municipal corporate boundaries and from which water is or may be withdrawn or diverted and transported for use on other property is considered to be taxable property in the county for purposes of determining assessed valuation in the county under this item.
      (ii) The proportion that the distribution base monies collected during the calendar month in each county under this article, section 42-5164, subsection B and section 42-5205, subsection B bear to the total distribution base monies collected under this article, section 42-5164, subsection B and section 42-5205, subsection B throughout the state for the calendar month.
   (b) If the proportion computed under subdivision (a) of this paragraph for any county is greater than the proportion computed under paragraph 2 of this subsection, the department shall compute the difference between the amount distributed to that county under paragraph 2 of this subsection and the amount that would have been distributed under paragraph 2 of this subsection using the proportion computed under subdivision (a) of this paragraph and shall pay that difference to the county from the amount available for distribution under this paragraph. Any monies remaining after all payments under this subdivision shall be distributed among the counties according to the proportions computed under paragraph 2 of this subsection.
4. After any distributions required by sections 42-5030, 42-5030.01, 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making any transfer to the water quality assurance revolving fund as required by section 49-282, subsection B, credit the remainder of the monies designated as distribution base to the state general fund. From this amount the legislature shall annually appropriate to:

(a) The department of revenue sufficient, monies to administer and enforce this article and articles 5 and 8 of this chapter.

(b) The department of economic security, monies to be used for the purposes stated in title 46, chapter 1.

(c) The firearms safety and ranges fund established by section 17-273, fifty thousand dollars derived from the taxes collected from the retail classification pursuant to section 42-5061 for the current fiscal year.

E. If approved by the qualified electors voting at a statewide general election, all monies collected pursuant to section 42-5010, subsection G and section 42-5155, subsection D shall be distributed each fiscal year pursuant to this subsection. The monies distributed pursuant to this subsection are in addition to any other appropriation, transfer or other allocation of public or private monies from any other source and shall not supplant, replace or cause a reduction in other school district, charter school, university or community college funding sources. The monies shall be distributed as follows:

1. If there are outstanding state school facilities revenue bonds pursuant to title 15, chapter 16, article 7, each month one-twelfth of the amount that is necessary to pay the fiscal year's debt service on outstanding state school improvement revenue bonds for the current fiscal year shall be transferred each month to the school improvement revenue bond debt service fund established by section 15-2084. The total amount of bonds for which these monies may be allocated for the payment of debt service shall not exceed a principal amount of eight hundred million dollars exclusive of refunding bonds and other refinancing obligations.

2. After any transfer of monies pursuant to paragraph 1 of this subsection, twelve per cent of the remaining monies collected during the preceding month shall be transferred to the technology and research initiative fund established by section 15-1648 to be distributed among the universities for the purpose of investment in technology and research-based initiatives.

3. After the transfer of monies pursuant to paragraph 1 of this subsection, three per cent of the remaining monies collected during the preceding month shall be transferred to the workforce development account established in each community college district pursuant to section 15-1472 for the purpose of investment in workforce development programs.

4. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one-twelfth of the amount a community college that is
owned, operated or chartered by a qualifying Indian tribe on its own Indian reservation would receive pursuant to section 15-1472, subsection D, paragraph 2 if it were a community college district shall be distributed each month to the treasurer or other designated depository of a qualifying Indian tribe. Monies distributed pursuant to this paragraph are for the exclusive purpose of providing support to one or more community colleges owned, operated or chartered by a qualifying Indian tribe and shall be used in a manner consistent with section 15-1472, subsection B. For the purposes of this paragraph, "qualifying Indian tribe" has the same meaning as defined in section 42-5031.01, subsection D.

5. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one-twelfth of the following amounts shall be transferred each month to the department of education for the increased cost of basic state aid under section 15-971 due to added school days and associated teacher salary increases enacted in 2000:
   (a) In fiscal year 2001-2002, $15,305,900.
   (b) In fiscal year 2002-2003, $31,530,100.
   (c) In fiscal year 2003-2004, $48,727,700.
   (d) In fiscal year 2004-2005, $66,957,200.
   (e) In fiscal year 2005-2006 and each fiscal year thereafter, $86,280,500.

6. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, seven million eight hundred thousand dollars is appropriated each fiscal year, to be paid in monthly installments, to the department of education to be used for school safety as provided in section 15-154 and two hundred thousand dollars is appropriated each fiscal year, to be paid in monthly installments to the department of education to be used for the character education matching grant program as provided in section 15-154.01.

7. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, no more than seven million dollars may be appropriated by the legislature each fiscal year to the department of education to be used for accountability purposes as described in section 15-241 and title 15, chapter 9, article 8.

8. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, one million five hundred thousand dollars is appropriated each fiscal year, to be paid in monthly installments, to the failing schools tutoring fund established by section 15-241.

9. After transferring monies pursuant to paragraphs 1, 2 and 3 of this subsection, twenty-five million dollars shall be transferred each fiscal year to the state general fund to reimburse the general fund for the cost of the income tax credit allowed by section 43-1072.01.
10. After the payment of monies pursuant to paragraphs 1 through 9 of this subsection, the remaining monies collected during the preceding month shall be transferred to the classroom site fund established by section 15-977. The monies shall be allocated as follows in the manner prescribed by section 15-977:

(a) Forty per cent shall be allocated for teacher compensation based on performance.
(b) Twenty per cent shall be allocated for increases in teacher base compensation and employee related expenses.
(c) Forty per cent shall be allocated for maintenance and operation purposes.

F. The department shall credit the remainder of the monies in the transaction privilege and severance tax clearing account to the state general fund, subject to any distribution required by section 42-5030.01.

G. Notwithstanding subsection D of this section, if a court of competent jurisdiction finally determines that tax monies distributed under this section were illegally collected under this article or articles 5 and 8 of this chapter and orders the monies to be refunded to the taxpayer, the department shall compute the amount of such monies that was distributed to each city, town and county under this section. Each city's, town's and county's proportionate share of the costs shall be based on the amount of the original tax payment each municipality and county received. Each month the state treasurer shall reduce the amount otherwise distributable to the city, town and county under this section by one-thirty-sixth 1/36 of the total amount to be recovered from the city, town or county until the total amount has been recovered, but the monthly reduction for any city, town or county shall not exceed ten percent of the full monthly distribution to that entity. The reduction shall begin for the first calendar month after the final disposition of the case and shall continue until the total amount, including interest and costs, has been recovered.

H. On receiving a certificate of default from the greater Arizona development authority pursuant to section 41-2257 or 41-2258 and to the extent not otherwise expressly prohibited by law, the state treasurer shall withhold from the next succeeding distribution of monies pursuant to this section due to the defaulting political subdivision 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 greater Arizona development authority certifies to the state treasurer that the default has been cured. In no event may the state treasurer withhold any amount that the defaulting political subdivision certifies to the state treasurer and the authority as being necessary to make any required deposits then due for the payment of principal and interest on bonds of the political subdivision that were issued before the date of the
I. Except as provided by sections 42-5033 and 42-5033.01, the population of a county, 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 subsection D of this section.

J. Except as otherwise provided by this subsection, on notice from the department of revenue pursuant to section 42-6010, subsection B, the state treasurer shall withhold from the distribution of monies pursuant to this section to the affected city or town the amount of the penalty for business location municipal tax incentives provided by the city or town to a business entity that locates a retail business facility in the city or town. The state treasurer shall continue to withhold monies pursuant to this subsection until the entire amount of the penalty has been withheld. The state treasurer shall credit any monies withheld pursuant to this subsection to the state general fund as provided by subsection D, paragraph 4 of this section. The state treasurer shall not withhold any amount that the city or town certifies to the department of revenue 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 the location incentives provided by the city or town.

K. On notice from the auditor general pursuant to section 9-626, subsection D, the state treasurer shall withhold from the distribution of monies pursuant to this section to the affected city the amount computed pursuant to section 9-626, subsection D. The state treasurer shall continue to withhold monies pursuant to this subsection until the entire amount specified in the notice has been withheld. The state treasurer shall credit any monies withheld pursuant to this subsection to the state general fund as provided by subsection D, paragraph 4 of this section.

L. 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 county, 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 county, 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 counties, cities and towns in proportion to their population as provided by subsection D of this section. The state treasurer shall not withhold any amount that the county, 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 county, city or town that were issued or incurred
before committing the violation.

M. For the purposes of this section, "community college district"
means a community college district that is established pursuant to
sections 15-1402 and 15-1403 and that is a political subdivision of this
state and, unless otherwise specified, includes a community college
tuition financing district established pursuant to section 15-1409.

Sec. 7. Section 42-6004, Arizona Revised Statutes, is amended to
read:

42-6004. Exemption from municipal tax; definitions

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

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

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

3. Sales of warranty or service contracts.

4. Sales of motor vehicles to nonresidents of this state for use
outside this state if either of the following apply:

(a) The motor vehicle dealer ships or delivers the motor vehicle to
a destination outside this state.

(b) The vehicle, trailer or semitrailer has a gross vehicle weight
rating of more than ten thousand pounds, is used or maintained to
transport property in the furtherance of interstate commerce and otherwise
meets the definition of commercial motor vehicle as defined in section
28-5201.

5. Interest on finance contracts.

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

7. Orthodontic devices dispensed by a dental professional who is
licensed under title 32, chapter 11 to a patient as part of the practice
of dentistry.
8. Sales of internet access services to the person's subscribers and customers. For the purposes of this paragraph:
   (a) "Internet" means the computer and telecommunications facilities that comprise the interconnected worldwide network of networks that employ the transmission control protocol or internet protocol, or any predecessor or successor protocol, to communicate information of all kinds by wire or radio.
   (b) "Internet access" means a service that enables users to access content, information, electronic mail or other services over the internet. Internet access does not include telecommunication services provided by a common carrier.

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

10. Leasing real property between affiliated companies, businesses, persons or reciprocal insurers. For the purposes of this paragraph:
   (a) "Affiliated companies, businesses, persons or reciprocal insurers" means the lessor holds a controlling interest in the lessee, the lessee holds a controlling interest in the lessor, affiliated persons hold a controlling interest in both the lessor and the lessee, or an unrelated person holds a controlling interest in both the lessor and lessee.
   (b) "Affiliated persons" means members of the individual's family or persons who have ownership or control of a business entity.
   (c) "Controlling interest" means direct or indirect ownership of at least eighty percent of the voting shares of a corporation or of the interests in a company, business or person other than a corporation.
   (d) "Members of the individual's family" means the individual's spouse and brothers and sisters, whether by whole or half blood, including adopted persons, ancestors and lineal descendants.
   (e) "Reciprocal insurer" has the same meaning prescribed in section 20-762.

11. The gross proceeds of sales or gross income derived from a contract for the installation, assembly, repair or maintenance of machinery, equipment or other tangible personal property that is described in section 42-5061, subsection B and that has independent functional utility, pursuant to the following provisions:
   (a) The deduction provided in this paragraph includes the gross proceeds of sales or gross income derived from all of the following:
      (i) Any activity performed on machinery, equipment or other tangible personal property with independent functional utility.
      (ii) Any activity performed on any tangible personal property relating to machinery, equipment or other tangible personal property with independent functional utility in furtherance of any of the purposes provided for under subdivision (d) of this paragraph.
(iii) Any activity that is related to the activities described in items (i) and (ii) of this subdivision, including inspecting the installation of or testing the machinery, equipment or other tangible personal property.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17. The transfer of title or possession of coal back and forth between an owner or operator of a power plant and 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.

18. Tangible personal property incorporated or fabricated into a project described in paragraph 14 of this subsection, 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 that Indian tribe.

19. The charges for the leasing or renting of space to make attachments to utility poles as follows:
   (a) By a person that is engaged in the business of providing or furnishing electrical services or telecommunication services or that is a cable operator.
   (b) To a person that is engaged in the business of providing or furnishing electrical services or telecommunication services or that is a cable operator.

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

21. The gross proceeds of sales or gross income derived from entry fees paid by participants for events that are operated or conducted by nonprofit organizations that are exempt from taxation under section 501(c)(3) of the internal revenue code and of which no part of the organization's net earnings inures to the benefit of any private shareholder or individual, if the event consists of a run, walk, swim or bicycle ride or a similar event, or any combination of these events.

22. The gross proceeds of sales or gross income derived from sales of machinery and equipment used directly for energy storage for later electrical use. For the purposes of this paragraph:
(a) "Electric utility scale" means a person that is engaged in a business activity described in section 42-5063, subsection A or such person's equipment or wholesale electricity suppliers.

(b) "Energy storage" means commercially available technology for electric utility scale that is capable of absorbing energy, storing energy for a period of time and thereafter dispatching the energy and that uses mechanical, chemical or thermal processes to store energy.

(c) "Machinery and equipment used directly" means all machinery and equipment that are used for electric energy storage from the point of receipt of such energy in order to facilitate storage of the electric energy to the point where the electric energy is released.

23. The gross proceeds of sales or gross income derived from a contract to install containment structures. For the purposes of this paragraph, "containment structure" means a structure that prevents, monitors, controls or reduces noxious or harmful discharge into the environment.

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

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

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

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

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

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

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

6. Any amount attributable to development fees that are incurred in relation to the construction, development or improvement of real property and paid by the taxpayer as defined in the model city tax code or by a contractor providing services to the taxpayer. For the purposes of this paragraph:
(a) The attributable amount shall not exceed the value of the
development fees actually imposed.

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

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

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

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

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

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

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

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

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.

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

G. A city, town or taxing jurisdiction shall not levy a transaction
privilege, sales, gross receipts, use, franchise or other similar tax or
fee, however denominated, on gross proceeds of sales or gross income
derived from over-the-top services. For the purposes of this subsection,
"over-the-top services" means audio or video programming services that are received by the purchaser by means of an internet connection, regardless of the technology used, that include linear or live programming and that are generally considered comparable to programming provided by a radio or television broadcast station and includes related on-demand programming that is provided at no additional charge, regardless of whether the services are provided independently or packaged with other audio or video programming.

H. FROM AND AFTER DECEMBER 31, 2023, A CITY, TOWN OR OTHER TAXING JURISDICTION MAY NOT LEVY A TRANSACTION PRIVILEGE, SALES, GROSS RECEIPTS, USE, FRANCHISE OR OTHER SIMILAR TAX OR FEE, HOWEVER DENOMINATED, ON THE BUSINESS OF RENTING OR LEASING REAL PROPERTY FOR RESIDENTIAL PURPOSES.

THIS SUBSECTION:
1. DOES NOT APPLY TO HEALTH CARE FACILITIES, LONG-TERM CARE FACILITIES OR HOTEL, MOTEL OR OTHER TRANSIENT LODGING BUSINESSES.
2. APPLIES REGARDLESS OF WHETHER THE CITY OR TOWN HAS ADOPTED THE MODEL CITY TAX CODE PURSUANT TO ARTICLE 2 OF THIS CHAPTER.

I. For the purposes of this section:
1. "Cable operator" has the same meaning prescribed in section 9-505 and includes a video service provider.
2. "Electrical services" means transmitting or distributing electricity, electric lights, current or power over lines, wires or cables.
3. "Telecommunication services" means transmitting or relaying sound, visual image, data, information, images or material over lines, wires or cables by radio signal, light beam, telephone, telegraph or other electromagnetic means.
4. "Utility pole" means any wooden, metal or other pole used for utility purposes and the pole's appurtenances that are attached or authorized for attachment by the person controlling the pole.

Sec. 8. Delayed repeal
Section 42-6011, Arizona Revised Statutes, is repealed from and after December 31, 2023.

Sec. 9. Section 42-15103, Arizona Revised Statutes, is amended to read:

42-15103. Contents of notice form
The notice form shall:
1. Prominently display a statement for all residential properties:
   (a) Which defines class three properties as described in section 42-12003.
   (b) Informing property owners that if the property listed on the notice does not meet the definition provided pursuant to subdivision (a) of this section, the owner must notify the county assessor of the usage of the property or they may be subject to a civil penalty prescribed by section 42-12052.
2. Include simplified instructions on the procedure and deadlines for appealing the assessed valuation shown on the notice.

3. Prominently display a statement informing owners of property that is used for residential rental purposes that:
   (a) The parcel must be listed on the notice as class four, and the owner must register the residential rental property with the county assessor pursuant to section 33-1902 or the owner may be subject to a penalty.
   (b) If the owner is required to register the rental property with the county assessor and fails to do so after receipt of this notice, the city or town may impose a civil penalty payable to the city or town in the amount of one hundred fifty-dollars ($150) per day for each day of violation, and the city or town may impose enhanced inspection and enforcement measures on the property.
   (c) If the city or town in which the property is located requires the lessor to pay transaction privilege tax on residential rent, a notice of applicable requirements imposed by the city or town and that failure to pay the applicable tax could result in a penalty or fine by the city or town.
   (d) Residential rental properties are required to comply with the landlord tenant law pursuant to title 33, chapters 10 and 11.

Sec. 10. Notice; retroactivity; delayed repeal

A. On or before October 31, 2023, the department of revenue shall electronically notify each residential rental transaction privilege tax licensee that a city, town or other taxing jurisdiction that levies a transaction privilege tax on the business of renting or leasing real property for residential purposes will no longer levy the tax from and after December 31, 2023. If the department of revenue is unable to send the notice to a licensee electronically, the department shall send the notice by first class mail to all of the following:
   1. The address appearing on the residential transaction privilege tax license.
   2. The address of any property management company, statutory agent or other representative listed as a delegate with the department of revenue for each residential rental property.
   3. The address of each residential rental property that is located in the city, town or taxing jurisdiction that will no longer levy the transaction privilege tax on the business of renting or leasing real property for residential purposes.

B. The department of revenue shall post the notice required by subsection A of this section on its website.

C. This section applies retroactively to from and after September 30, 2023.

D. This section is repealed from and after December 31, 2026.
Sec. 11. Distribution of revenues; cities and towns; intent
   A. From and after December 31, 2023 through June 30, 2025, the
      state treasurer shall distribute proportionately for each month
      $14,965,600 from the portion of the revenues derived from the tax levied
      by title 42, chapter 5, articles 1 and 5, Arizona Revised Statutes, that
      is not designated as the distribution base to the cities and towns that
      levied a transaction privilege tax on the business of renting or leasing
      real property for residential purposes during fiscal year 2021-2022 based
      on the average monthly amount that the city or town collected from levying
      transaction privilege tax on the business of renting or leasing real
      property for residential purposes during fiscal year 2021-2022.
   B. It is the intent of the legislature that the distributions made
      in subsection A of this section will not impact the portion of transaction
      privilege tax revenues that cities and towns in this state receive
      pursuant to section 42-5029, subsection D, Arizona Revised Statutes.

Sec. 12. Legislative intent
   The legislature intends that a city, town or other taxing
   jurisdiction that levies a transaction privilege tax on the business of
   renting or leasing real property for residential purposes reduce
   nonessential government spending, including spending on lobbyists and
   out-of-state travel, to address any revenue reduction caused by no longer
   levying the tax.

Sec. 13. Applicability
   This act applies to taxable periods beginning from and after