

COMMITTEE ON GOVERNMENT
HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1131
(Reference to Senate engrossed bill)

1 Strike everything after the enacting clause and insert:

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

4 9-1304. Adoption of citywide residential rental property
5 licensing, registration or inspection program;
6 requirements

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

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

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

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

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

20 5. A notice of the public hearing is published in a local newspaper
21 of general circulation and POSTED ON any official municipal ~~web site~~
22 WEBSITE not less than two weeks before the required public hearing.

23 B. A city or town shall not adopt a residential rental licensing
24 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~~ BEFORE 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.~~

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

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

6 33-1314. Terms and conditions of rental agreement; contact
7 information; property; pets

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

12 B. In the absence of a rental agreement, the tenant shall pay as
13 rent the fair rental value for ~~the use~~ USING and ~~occupancy of~~ OCCUPYING the
14 dwelling unit.

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

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

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

1 ~~F.~~ E. Notwithstanding section 14-3911, the landlord may request and
2 the tenant may provide and routinely update the name and contact
3 information of a person who is authorized by the tenant to enter the
4 tenant's dwelling unit to retrieve and store the tenant's property,
5 including the tenant's animal, if the tenant dies or is otherwise
6 incapacitated. If the landlord is unable to contact the authorized person
7 at the address and telephone number provided to the landlord by the tenant
8 or the authorized person fails to respond to the landlord's request within
9 one day for the animal or ten days for all other property after initial
10 written contact, the landlord may dispose of the property as prescribed in
11 section 33-1370 or may deem the animal abandoned, and if deemed abandoned,
12 shall remove AND RELEASE the animal to an animal shelter or boarding
13 facility as prescribed in section 33-1370, subsection E. The landlord may
14 release the animal to a relative of the deceased or incapacitated tenant if
15 any of the following applies:

- 16 1. The landlord was not provided the contact information of a person
17 who is authorized by the tenant to retrieve the tenant's animal.
- 18 2. The contact information is no longer valid.
- 19 3. The landlord is unable to contact the authorized person after one
20 calendar day.

21 ~~G.~~ F. Before removing any of the tenant's personal property or the
22 tenant's animal, the authorized person shall present to the landlord a
23 valid government issued identification that confirms the identity of the
24 authorized person. The authorized person shall have twenty days after the
25 date of initial written contact by the landlord or the last date for which
26 rent is paid, whichever is longer, to remove items from the rental property
27 and return keys to the landlord during regular business hours. If the
28 landlord allows an authorized person to enter the property to remove the
29 tenant's personal possessions as prescribed by this subsection, the
30 landlord has no further liability to the tenant, the tenant's estate or the
31 tenant's heirs for lost, damaged or stolen items. If the tenant's personal
32 property is not entirely removed from the rental unit by an authorized

1 person, the landlord may dispose of the property as prescribed in section
2 33-1370.

3 ~~H~~. G. Subsections ~~F~~ E and ~~G~~ F of this section apply only as
4 follows:

5 1. To the tenant's personal property if the periodic rent is unpaid
6 and outstanding for at least five days.

7 2. To the tenant's animal if the tenant is deceased or is otherwise
8 incapacitated.

9 Sec. 4. Title 33, chapter 10, article 2, Arizona Revised Statutes,
10 is amended by adding section 33-1332, to read:

11 33-1332. Rent reduction; burden of proof

12 A. ON OR BEFORE OCTOBER 1, 2024, THE LANDLORD OF REAL PROPERTY THAT
13 IS RENTED OR LEASED FOR RESIDENTIAL PURPOSES AND THAT IS LOCATED IN A CITY,
14 TOWN OR OTHER TAXING JURISDICTION THAT LEVIES A TRANSACTION PRIVILEGE TAX
15 ON THE BUSINESS OF RENTING OR LEASING REAL PROPERTY FOR RESIDENTIAL
16 PURPOSES SHALL NO LONGER CHARGE THE TENANT THE AMOUNT OF THE REPEALED
17 TRANSACTION PRIVILEGE TAX ON THE BUSINESS OF RENTING OR LEASING REAL
18 PROPERTY FOR RESIDENTIAL PURPOSES.

19 B. IN ANY CIVIL ACTION CHALLENGING THE LAWFULNESS OF A CHARGE,
20 ASSESSMENT OR OTHER AMOUNT PURSUANT TO THIS SECTION, THE LANDLORD HAS THE
21 BURDEN OF PROVING BY A PREPONDERANCE OF THE EVIDENCE THAT THE CHALLENGED
22 CHARGE ASSESSMENT OR OTHER AMOUNT IS NOT ATTRIBUTABLE TO AND DOES NOT
23 REPRESENT ALL OR ANY PORTION OF A CITY'S, TOWN'S OR OTHER TAXING
24 JURISDICTION'S TRANSACTION PRIVILEGE TAX ON THE BUSINESS OF RENTING OR
25 LEASING REAL PROPERTY FOR RESIDENTIAL PURPOSES.

26 Sec. 5. Delayed repeal

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

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

3 42-5029. Remission and distribution of monies; withholding;
4 definition

5 A. The department shall deposit, pursuant to sections 35-146 and
6 35-147, all revenues collected under this article and articles 4, 5 and 8
7 of this chapter pursuant to section 42-1116, separately accounting for:

- 8 1. Payments of estimated tax under section 42-5014, subsection D.
9 2. Revenues collected pursuant to section 42-5070.

10 3. Revenues collected under this article and article 5 of this
11 chapter from and after June 30, 2000 from sources located on Indian
12 reservations in this state.

13 4. Revenues collected pursuant to section 42-5010, subsection G and
14 section 42-5155, subsection D.

15 5. Revenues collected pursuant to section 42-5010.01 and section
16 42-5155, subsection E.

17 6. REVENUES COLLECTED PURSUANT TO SECTION 42-5061 FROM A REMOTE
18 SELLER.

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

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

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

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

9 2. Pay 38.08 percent to the counties in this state by averaging the
10 following proportions:

11 (a) The proportion that the population of each county bears to the
12 total state population.

13 (b) The proportion that the distribution base monies collected
14 during the calendar month in each county under this article, section
15 42-5164, subsection B and section 42-5205, subsection B bear to the total
16 distribution base monies collected under this article, section 42-5164,
17 subsection B and section 42-5205, subsection B throughout the state for the
18 calendar month.

19 3. Pay an additional 2.43 percent to the counties in this state as
20 follows:

21 (a) Average the following proportions:

22 (i) The proportion that the assessed valuation used to determine
23 secondary property taxes of each county, after deducting that part of the
24 assessed valuation that is exempt from taxation at the beginning of the
25 month for which the amount is to be paid, bears to the total assessed
26 valuations used to determine secondary property taxes of all the counties
27 after deducting that portion of the assessed valuations that is exempt from
28 taxation at the beginning of the month for which the amount is to be paid.
29 Property of a city or town that is not within or contiguous to the
30 municipal corporate boundaries and from which water is or may be withdrawn
31 or diverted and transported for use on other property is considered to be

1 taxable property in the county for purposes of determining assessed
2 valuation in the county under this item.

3 (ii) The proportion that the distribution base monies collected
4 during the calendar month in each county under this article, section
5 42-5164, subsection B and section 42-5205, subsection B bear to the total
6 distribution base monies collected under this article, section 42-5164,
7 subsection B and section 42-5205, subsection B throughout ~~the~~ THIS state
8 for the calendar month.

9 (b) If the proportion computed under subdivision (a) of this
10 paragraph for any county is greater than the proportion computed under
11 paragraph 2 of this subsection, the department shall compute the difference
12 between the amount distributed to that county under paragraph 2 of this
13 subsection and the amount that would have been distributed under paragraph
14 2 of this subsection using the proportion computed under subdivision (a) of
15 this paragraph and shall pay that difference to the county from the amount
16 available for distribution under this paragraph. Any monies remaining after
17 all payments under this subdivision shall be distributed among the counties
18 according to the proportions computed under paragraph 2 of this subsection.

19 4. After any distributions required by sections 42-5030, 42-5030.01,
20 42-5031, 42-5032, 42-5032.01 and 42-5032.02, and after making any transfer
21 to the water quality assurance revolving fund as required by section
22 49-282, subsection B, credit the remainder of the monies designated as
23 distribution base to the state general fund. From this amount the
24 legislature shall annually appropriate to:

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

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

29 (c) The firearms safety and ranges fund established by section
30 17-273, ~~fifty thousand dollars~~ \$50,000 derived from the taxes collected
31 from the retail classification pursuant to section 42-5061 for the current
32 fiscal year.

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

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

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

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

30 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of
31 this subsection, one-twelfth of the amount a community college that is
32 owned, operated or chartered by a qualifying Indian tribe on its own Indian

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

10 5. After transferring monies pursuant to paragraphs 1, 2 and 3 of
11 this subsection, one-twelfth of the following amounts shall be transferred
12 each month to the department of education for the increased cost of basic
13 state aid under section 15-971 due to added school days and associated
14 teacher salary increases enacted in 2000:

15 (a) In fiscal year 2001-2002, \$15,305,900.

16 (b) In fiscal year 2002-2003, \$31,530,100.

17 (c) In fiscal year 2003-2004, \$48,727,700.

18 (d) In fiscal year 2004-2005, \$66,957,200.

19 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
20 \$86,280,500.

21 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of
22 this subsection, seven million eight hundred thousand dollars is
23 appropriated each fiscal year, to be paid in monthly installments, to the
24 department of education to be used for school safety as provided in section
25 15-154 and two hundred thousand dollars is appropriated each fiscal year,
26 to be paid in monthly installments to the department of education to be
27 used for the character education matching grant program as provided in
28 section 15-154.01.

29 7. After transferring monies pursuant to paragraphs 1, 2 and 3 of
30 this subsection, no more than seven million dollars may be appropriated by
31 the legislature each fiscal year to the department of education to be used

1 for accountability purposes as described in section 15-241 and title 15,
2 chapter 9, article 8.

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

7 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of
8 this subsection, twenty-five million dollars shall be transferred each
9 fiscal year to the state general fund to reimburse the general fund for the
10 cost of the income tax credit allowed by section 43-1072.01.

11 10. After the payment of monies pursuant to paragraphs 1 through 9
12 of this subsection, the remaining monies collected during the preceding
13 month shall be transferred to the classroom site fund established by
14 section 15-977. The monies shall be allocated as follows in the manner
15 prescribed by section 15-977:

16 (a) Forty per cent shall be allocated for teacher compensation based
17 on performance.

18 (b) Twenty per cent shall be allocated for increases in teacher base
19 compensation and employee related expenses.

20 (c) Forty per cent shall be allocated for maintenance and operation
21 purposes.

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

25 G. Notwithstanding subsection D of this section, if a court of
26 competent jurisdiction finally determines that tax monies distributed under
27 this section were illegally collected under this article or articles 5 and
28 8 of this chapter and orders the monies to be refunded to the taxpayer, the
29 department shall compute the amount of such monies that was distributed to
30 each city, town and county under this section. Each city's, town's and
31 county's proportionate share of the costs shall be based on the amount of
32 the original tax payment each municipality and county received. Each month

1 the state treasurer shall reduce the amount otherwise distributable to the
2 city, town and county under this section by ~~one thirty-sixth~~ 1/36 of the
3 total amount to be recovered from the city, town or county until the total
4 amount has been recovered, but the monthly reduction for any city, town or
5 county shall not exceed ten percent of the full monthly distribution to
6 that entity. The reduction shall begin for the first calendar month after
7 the final disposition of the case and shall continue until the total
8 amount, including interest and costs, has been recovered.

9 H. On receiving a certificate of default from the greater Arizona
10 development authority pursuant to section 41-2257 or 41-2258 and to the
11 extent not otherwise expressly prohibited by law, the state treasurer shall
12 withhold from the next succeeding distribution of monies pursuant to this
13 section due to the defaulting political subdivision the amount specified in
14 the certificate of default and immediately deposit the amount withheld in
15 the greater Arizona development authority revolving fund. The state
16 treasurer shall continue to withhold and deposit the monies until the
17 greater Arizona development authority certifies to the state treasurer that
18 the default has been cured. In no event may the state treasurer withhold
19 any amount that the defaulting political subdivision certifies to the state
20 treasurer and the authority as being necessary to make any required
21 deposits then due for the payment of principal and interest on bonds of the
22 political subdivision that were issued before the date of the loan
23 repayment agreement or bonds and that have been secured by a pledge of
24 distributions made pursuant to this section.

25 I. Except as provided by sections 42-5033 and 42-5033.01, the
26 population of a county, city or town as determined by the most recent
27 United States decennial census plus any revisions to the decennial census
28 certified by the United States bureau of the census shall be used as the
29 basis for apportioning monies pursuant to subsection D of this section.

30 J. Except as otherwise provided by this subsection, on notice from
31 the department of revenue pursuant to section 42-6010, subsection B, the
32 state treasurer shall withhold from the distribution of monies pursuant to

1 this section to the affected city or town the amount of the penalty for
2 business location municipal tax incentives provided by the city or town to
3 a business entity that locates a retail business facility in the city or
4 town. The state treasurer shall continue to withhold monies pursuant to
5 this subsection until the entire amount of the penalty has been withheld.
6 The state treasurer shall credit any monies withheld pursuant to this
7 subsection to the state general fund as provided by subsection D, paragraph
8 4 of this section. The state treasurer shall not withhold any amount that
9 the city or town certifies to the department of revenue and the state
10 treasurer as being necessary to make any required deposits or payments for
11 debt service on bonds or other long-term obligations of the city or town
12 that were issued or incurred before the location incentives provided by the
13 city or town.

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

22 L. Except as otherwise provided by this subsection, on notice from
23 the attorney general pursuant to section 41-194.01, subsection B, paragraph
24 1 that an ordinance, regulation, order or other official action adopted or
25 taken by the governing body of a county, city or town violates state law or
26 the Constitution of Arizona, the state treasurer shall withhold the
27 distribution of monies pursuant to this section to the affected county,
28 city or town and shall continue to withhold monies pursuant to this
29 subsection until the attorney general certifies to the state treasurer that
30 the violation has been resolved. The state treasurer shall redistribute
31 the monies withheld pursuant to this subsection among all other counties,
32 cities and towns in proportion to their population as provided by

1 subsection D of this section. The state treasurer shall not withhold any
2 amount that the county, city or town certifies to the attorney general and
3 the state treasurer as being necessary to make any required deposits or
4 payments for debt service on bonds or other long-term obligations of the
5 county, city or town that were issued or incurred before committing the
6 violation.

7 M. For the purposes of this section, "community college district"
8 means a community college district that is established pursuant to sections
9 15-1402 and 15-1403 and that is a political subdivision of this state and,
10 unless otherwise specified, includes a community college tuition financing
11 district established pursuant to section 15-1409.

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

14 42-6004. Exemption from municipal tax; definitions

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

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

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

1 3. Sales of warranty or service contracts.

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

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

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

10 5. Interest on finance contracts.

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

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

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

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

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

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

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

31 (a) "Affiliated companies, businesses, persons or reciprocal
32 insurers" means the lessor holds a controlling interest in the lessee, the

1 lessee holds a controlling interest in the lessor, affiliated persons hold
2 a controlling interest in both the lessor and the lessee, or an unrelated
3 person holds a controlling interest in both the lessor and lessee.

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

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

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

12 (e) "Reciprocal insurer" has the same meaning prescribed in section
13 20-762.

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

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

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

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

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

31 (b) The deduction provided in this paragraph does not include gross
32 proceeds of sales or gross income from the portion of any contracting

1 activity that consists of the development of, or modification to, real
2 property in order to facilitate the installation, assembly, repair,
3 maintenance or removal of machinery, equipment or other tangible personal
4 property described in section 42-5061, subsection B.

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

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

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

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

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

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

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

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

1 center equipment", "qualification period" and "qualified colocation tenant"
2 have the same meanings prescribed in section 41-1519.

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

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

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

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

29 (i) Community facilities districts, fire districts, county
30 television improvement districts, community park maintenance districts,
31 cotton pest control districts, hospital districts, pest abatement
32 districts, health service districts, agricultural improvement districts,

1 county free library districts, county jail districts, county stadium
2 districts, special health care districts, public health services districts,
3 theme park districts or revitalization districts.

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

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

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

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

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

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

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

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

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

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

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

12 (a) By a person that is engaged in the business of providing or
13 furnishing electrical services or telecommunication services or that is a
14 cable operator.

15 (b) To a person that is engaged in the business of providing or
16 furnishing electrical services or telecommunication services or that is a
17 cable operator.

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

22 21. The gross proceeds of sales or gross income derived from entry
23 fees paid by participants for events that are operated or conducted by
24 nonprofit organizations that are exempt from taxation under section
25 501(c)(3) of the internal revenue code and of which no part of the
26 organization's net earnings inures to the benefit of any private
27 shareholder or individual, if the event consists of a run, walk, swim or
28 bicycle ride or a similar event, or any combination of these events.

29 22. The gross proceeds of sales or gross income derived from sales
30 of machinery and equipment used directly for energy storage for later
31 electrical use. For the purposes of this paragraph:

1 (a) "Electric utility scale" means a person that is engaged in a
2 business activity described in section 42-5063, subsection A or such
3 person's equipment or wholesale electricity suppliers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6 10. Transporting for hire persons by vehicle for hire drivers on
7 transactions involving vehicle for hire services as defined in section
8 28-9501.

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

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

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

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

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

26 G. A city, town or taxing jurisdiction shall not levy a transaction
27 privilege, sales, gross receipts, use, franchise or other similar tax or
28 fee, however denominated, on gross proceeds of sales or gross income
29 derived from over-the-top services. For the purposes of this subsection,
30 "over-the-top services" means audio or video programming services that are
31 received by the purchaser by means of an internet connection, regardless of
32 the technology used, that include linear or live programming and that are

1 generally considered comparable to programming provided by a radio or
2 television broadcast station and includes related on-demand programming
3 that is provided at no additional charge, regardless of whether the
4 services are provided independently or packaged with other audio or video
5 programming.

6 H. FROM AND AFTER SEPTEMBER 30, 2024, A CITY, TOWN OR OTHER TAXING
7 JURISDICTION MAY NOT LEVY A TRANSACTION PRIVILEGE, SALES, GROSS RECEIPTS,
8 USE, FRANCHISE OR OTHER SIMILAR TAX OR FEE, HOWEVER DENOMINATED, ON THE
9 BUSINESS OF RENTING OR LEASING REAL PROPERTY FOR RESIDENTIAL PURPOSES.
10 THIS SUBSECTION:

11 1. DOES NOT APPLY TO HEALTH CARE FACILITIES, LONG-TERM CARE
12 FACILITIES OR HOTEL, MOTEL OR OTHER TRANSIENT LODGING BUSINESSES.

13 2. APPLIES REGARDLESS OF WHETHER THE CITY OR TOWN HAS ADOPTED THE
14 MODEL CITY TAX CODE PURSUANT TO ARTICLE 2 OF THIS CHAPTER.

15 ~~H.~~ I. For the purposes of this section:

16 1. "Cable operator" has the same meaning prescribed in section 9-505
17 and includes a video service provider.

18 2. "Electrical services" means transmitting or distributing
19 electricity, electric lights, current or power over lines, wires or cables.

20 3. "Telecommunication services" means transmitting or relaying
21 sound, visual image, data, information, images or material over lines,
22 wires or cables by radio signal, light beam, telephone, telegraph or other
23 electromagnetic means.

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

27 Sec. 8. Delayed repeal

28 Section 42-6011, Arizona Revised Statutes, is repealed from and after
29 September 30, 2024.

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

3 42-15103. Contents of notice form

4 The notice form shall:

5 1. Prominently display a statement for all residential properties

6 THAT:

7 (a) ~~Which~~ Defines class three properties as described in section
8 42-12003.

9 (b) ~~Informing~~ INFORMS property owners that if the property listed on
10 the notice does not meet the ~~definition~~ DESCRIPTION provided pursuant to
11 subdivision (a) of this ~~section~~ PARAGRAPH, the owner must notify the county
12 assessor of the usage of the property or ~~they~~ THE OWNER may be subject to a
13 civil penalty prescribed by section 42-12052.

14 2. Include simplified instructions on the procedure and deadlines
15 for appealing the assessed valuation shown on the notice.

16 3. Prominently display a statement informing owners of property that
17 is used for residential rental purposes that:

18 (a) The parcel must be listed on the notice as class four, and the
19 owner must register the residential rental property with the county
20 assessor pursuant to section 33-1902 or the owner may be subject to a
21 penalty.

22 (b) If the owner is required to register the rental property with
23 the county assessor and fails to do so after receipt of this notice, the
24 city or town may impose a civil penalty payable to the city or town in the
25 amount of ~~one hundred fifty dollars~~ \$150 per day for each day of violation,
26 and the city or town may impose enhanced inspection and enforcement
27 measures on the property.

28 ~~(c) If the city or town in which the property is located requires~~
29 ~~the lessor to pay transaction privilege tax on residential rent, a notice~~
30 ~~of applicable requirements imposed by the city or town and that failure to~~
31 ~~pay the applicable tax could result in a penalty or fine by the city or~~
32 ~~town.~~

1 ~~(d)~~ (c) Residential rental properties are required to comply with
2 the landlord tenant law pursuant to title 33, chapters 10 and 11.

3 Sec. 10. Notice: delayed repeal

4 A. On or before June 30, 2024, the department of revenue shall
5 electronically notify each residential rental transaction privilege tax
6 licensee that a city, town or other taxing jurisdiction that levies a
7 transaction privilege tax on the business of renting or leasing real
8 property for residential purposes will no longer levy the tax from and
9 after September 30, 2024. If the department of revenue is unable to send
10 the notice to a licensee electronically, the department shall send the
11 notice by first class mail to all of the following:

12 1. The address appearing on the residential transaction privilege
13 tax license.

14 2. The address of any property management company, statutory agent
15 or other representative listed as a delegate with the department of revenue
16 for each residential rental property.

17 3. The address of each residential rental property that is located
18 in the city, town or taxing jurisdiction that will no longer levy the
19 transaction privilege tax on the business of renting or leasing real
20 property for residential purposes.

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

23 C. This section is repealed from and after December 31, 2026.

24 Sec. 11. Legislative intent

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

1 Sec. 12. Applicability

2 This act applies to taxable periods beginning from and after
3 September 30, 2024.

4 Sec. 13. Effective date

5 This act is effective from and after June 30, 2024."

6 Amend title to conform

And, as so amended, it do pass

TIMOTHY M. DUNN
CHAIRMAN

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