

State of Arizona
Senate
Fifty-seventh Legislature
Second Regular Session
2026

CHAPTER 184

SENATE BILL 1613

AN ACT

REPEALING SECTION 4-205.11, ARIZONA REVISED STATUTES; AMENDING SECTION 13-2910.11, ARIZONA REVISED STATUTES, AS ADDED BY LAWS 2021, CHAPTER 366, SECTION 1; REPEALING SECTION 13-2910.11, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2025, CHAPTER 255, SECTION 2; AMENDING SECTION 36-2212, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2025, CHAPTER 212, SECTION 1; REPEALING SECTION 36-2212, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2025, CHAPTER 212, SECTION 2; AMENDING SECTION 42-5159, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2025, CHAPTER 135, SECTION 2 AND CHAPTER 247, SECTION 2; REPEALING SECTION 42-5159, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2025, CHAPTER 251, SECTION 13; AMENDING SECTION 48-261, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2017, CHAPTER 46, SECTION 1; REPEALING SECTION 48-261, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2025, CHAPTER 61, SECTION 1; RELATING TO MULTIPLE, DEFECTIVE AND CONFLICTING LEGISLATIVE DISPOSITIONS OF STATUTORY TEXT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Purpose

3 1. Section 4-205.11, Arizona Revised Statutes, was repealed by Laws
4 2025, chapter 36, section 5. However, this section was erroneously
5 identified in the title of the act. In order to comply with article IV,
6 part 2, section 13, Constitution of Arizona, this act repeals section
7 4-205.11, Arizona Revised Statutes.

8 2. Section 13-2910.11, Arizona Revised Statutes, was amended by
9 Laws 2025, chapter 255, section 2. However, this version did not reflect
10 the previous valid version of the section. In order to comply with
11 article IV, part 2, section 14, Constitution of Arizona, this act amends
12 section 13-2910.11, Arizona Revised Statutes, as added by Laws 2021,
13 chapter 366, section 1, to incorporate the amendments made by Laws 2025,
14 chapter 255 and repeals the chapter 255 version.

15 3. Section 36-2212, Arizona Revised Statutes, was amended by Laws
16 2025, chapter 212, section 2, as amended by Laws 2025, chapter 212,
17 section 1. However, this version did not reflect the previous valid
18 version of the section. In order to comply with article IV, part 2,
19 section 14, Constitution of Arizona, this act amends section 36-2212,
20 Arizona Revised Statutes, as amended by Laws 2025, chapter 212, section 1,
21 to incorporate the amendments made by Laws 2025, chapter 212, section 2
22 and repeals the chapter 212, section 2 version.

23 4. Section 42-5159, Arizona Revised Statutes, was amended by Laws
24 2025, chapter 251, section 13. However, this version did not reflect the
25 previous valid version of the section. In order to comply with article
26 IV, part 2, section 14, Constitution of Arizona, this act amends section
27 42-5159, Arizona Revised Statutes, as amended by Laws 2025, chapter 135,
28 section 2 and chapter 247, section 2, to incorporate the amendments made
29 by Laws 2025, chapter 251 and repeals the chapter 251 version.

30 5. Section 48-261, Arizona Revised Statutes, was amended by Laws
31 2025, chapter 61, section 1. However, this version did not reflect the
32 previous valid version of the section. In order to comply with article
33 IV, part 2, section 14, Constitution of Arizona, this act amends section
34 48-261, Arizona Revised Statutes, as amended by Laws 2017, chapter 46,
35 section 1, to incorporate the amendments made by Laws 2025, chapter 61 and
36 repeals the chapter 61 version.

37 Sec. 2. Repeal

38 Section 4-205.11, Arizona Revised Statutes, is repealed.

1 Sec. 3. Section 13-2910.11, Arizona Revised Statutes, as added by
2 Laws 2021, chapter 366, section 1, is amended to read:

3 13-2910.11. Unlawful animal ownership or possession; transfer
4 of animals; restoration of right to possess
5 animals; classification; good cause exception;
6 definitions

7 A. It is unlawful for a person who has been convicted of any of the
8 following offenses to own, possess, adopt, foster, reside with or
9 otherwise intentionally contact, care for or have custody of any animal in
10 the person's household:

11 1. An intentional or knowing violation of cruelty to animals
12 pursuant to section 13-2910, subsection A, paragraph 1, 2, 3, 7, 8, 9, ~~11,~~
13 ~~14~~ 12, 15 or ~~15~~ 16.

14 2. Cruelty to animals pursuant to section 13-2910, subsection A,
15 paragraph 4.

16 3. Animal fighting pursuant to section 13-2910.01.

17 4. Bestiality pursuant to section 13-1411.

18 B. Except as provided in subsection D of this section, the
19 prohibitions listed in subsection A of this section shall remain in place
20 for the following amount of time:

21 1. For a first misdemeanor conviction, at least five years.

22 2. For a first felony conviction or a second or subsequent
23 misdemeanor conviction, at least ten years.

24 3. For a second or subsequent felony conviction, for the person's
25 lifetime.

26 C. Within thirty days after a person is prohibited from possessing
27 an animal pursuant to this section, the person shall transfer all animals
28 in the person's care or custody to another person who is not in the
29 person's household.

30 D. On proper application and not less than one year after the
31 person is convicted of a misdemeanor violation of an offense listed in
32 subsection A of this section or two and one-half years after the person is
33 convicted of a felony violation **OF AN OFFENSE LISTED IN SUBSECTION A OF**
34 **THIS SECTION**, the person may apply to have the person's right to possess
35 an animal restored. Any time spent on absconder status while on
36 probation, on escape status or incarcerated is excluded in calculating the
37 minimum time requirement. The person may apply to the judge, justice of
38 the peace or magistrate who pronounced sentence or imposed probation or
39 the **SUCCESSOR IN OFFICE OF THE** judge, justice of the peace or ~~magistrate's~~
40 ~~successor in office~~ **MAGISTRATE**. The applicant shall serve a copy of the
41 application on the prosecutor. The court shall conduct a hearing on the
42 request within sixty days after the application is filed. The defendant
43 bears the burden by a preponderance of evidence at the hearing. To assist
44 the court in making a determination, the court shall require the person to

1 complete a psychiatric or psychological examination and undergo
2 counseling, if necessary, before restoring the person's right to possess
3 an animal. The court may terminate or reduce the time period required by
4 subsection B of this section on a finding that:

5 1. The applicant does not present a danger to self, the animal's
6 immediate family and the public.

7 2. The applicant has the ability to properly care for all animals
8 in the applicant's possession.

9 3. The applicant has successfully completed all classes or
10 counseling that was ordered by the sentencing court.

11 E. A convicted person who lives in a household with an animal that
12 is owned, possessed, adopted or fostered by another person in the
13 household may apply to the court for a good cause exception. A good cause
14 exception is valid for one year and allows the convicted person to reside
15 in the same household as an animal. The convicted person may request the
16 court to renew a good cause exception sixty days before the good cause
17 exception expires. The court may grant a good cause exception or renew a
18 good cause exception if all of the following apply:

19 1. The convicted person is on supervised or unsupervised probation,
20 community supervision or parole or agrees to be subject to the court's
21 jurisdiction and supervision while living in the household.

22 2. The court determines that it is in the best interests of the
23 animal and the person who owns, possesses, adopts or fosters the animal to
24 allow the convicted person to remain in the same household and reside with
25 the animal.

26 3. The convicted person agrees to not intentionally contact, care
27 for or have custody of the animal.

28 F. A person who violates this section is guilty of a class 1
29 misdemeanor.

30 G. For the purposes of this section:

31 1. "Animal":

32 (a) Means any domesticated dog or cat.

33 (b) Does not include livestock as defined in section 3-1201 or
34 wildlife as defined in section 17-101.

35 2. "Household" includes all of the persons who occupy a housing
36 unit as the person's usual place of residence, including all of the
37 following:

38 (a) The related family members and all unrelated persons, if any,
39 such as lodgers, foster children, wards or employees who share the housing
40 unit.

41 (b) A person who lives alone in a housing unit or a group of
42 unrelated persons sharing a housing unit such as partners or roomers.

43 3. "Housing unit" means a house, an apartment, a mobile home or
44 trailer, a group of rooms or a single room occupied as separate living

1 quarters for a household and includes any front, side or rear yards and
2 any garages and detached garages that are under the control of the
3 household.

4 Sec. 4. Repeal

5 Section 13-2910.11, Arizona Revised Statutes, as amended by Laws
6 2025, chapter 255, section 2, is repealed.

7 Sec. 5. Section 36-2212, Arizona Revised Statutes, as amended by
8 Laws 2025, chapter 212, section 1, is amended to read:

9 36-2212. Certificate of registration to operate an ambulance:
10 termination on change in ownership; fees

11 A. A person shall not operate an ambulance in this state unless the
12 ambulance has a certificate of registration and complies with this article
13 and the rules, standards and criteria adopted pursuant to this article.

14 B. A person may obtain a certificate of registration to operate an
15 ambulance by submitting an application on a form prescribed by the
16 director and by demonstrating to the director's satisfaction that the
17 applicant is in compliance with this article and all rules, standards and
18 criteria adopted by the director for the operation of an ambulance.

19 C. A certificate of registration issued under this section
20 terminates on any change of ownership or control of the
21 ambulance. Following any change of ownership, the new owner of an
22 ambulance shall apply for and receive a new certificate of registration
23 from the director before the ambulance may again be operated in this
24 state. This subsection does not apply if an ambulance service borrows,
25 leases, rents or otherwise obtains a registered ambulance from another
26 ambulance service to temporarily replace an inoperable ambulance.

27 D. The department shall issue a certificate of registration to a
28 person that complies with the requirements of this article and that pays
29 an initial registration fee. A certificate of registration is valid for
30 one year but an ambulance service may request that the department issue an
31 initial certificate of registration that expires before the end of one
32 year in order for the department to conduct an annual inspection of all of
33 the ambulance service's ambulances at one time. A person may renew a
34 certificate of registration by complying with the requirements of this
35 article and by paying a renewal fee prescribed by the director. The fee
36 for initial registration and registration renewal shall not exceed \$50 for
37 each ambulance. The department shall base these fees on an amount that
38 approximates the per vehicle costs incurred by the department to
39 administer this chapter. The director shall deposit, pursuant to sections
40 35-146 and 35-147, fees collected under this subsection in the state
41 general fund. The department shall not charge a registration fee for an
42 ambulance to an ambulance service that operates an ambulance or ambulances
43 only as a volunteer not-for-profit service.

~~E. Notwithstanding the period of time for which a certificate of registration is valid pursuant to subsection D of this section, if the certificate of registration holder timely submits a complete renewal application in compliance with this article and the rules adopted pursuant to this article and the department is unable to perform an inspection of an ambulance within the time frame prescribed by section 36-2232, subsection A, paragraph 13, the department may allow an ambulance's registration to remain valid and in effect until the department completes the required inspection.~~

Sec. 6. Repeal

Section 36-2212, Arizona Revised Statutes, as amended by Laws 2025, chapter 212, section 2, is repealed.

Sec. 7. Section 42-5159, Arizona Revised Statutes, as amended by Laws 2025, chapter 135, section 2 and chapter 247, section 2, is amended to read:

42-5159. Exemptions

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

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

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

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

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

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

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

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

12 8. Purchases of:

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

15 (b) Livestock and poultry feed, salts, vitamins and other additives
16 sold to persons for use or consumption in the businesses of farming,
17 ranching and producing or feeding livestock or poultry or for use or
18 consumption in noncommercial boarding of livestock. For the purposes of
19 this paragraph, "poultry" includes ratites.

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

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

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

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

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

39 12. Materials that are purchased by or for publicly funded
40 libraries, including school district libraries, charter school libraries,
41 community college libraries, state university libraries or federal, state,
42 county or municipal libraries, for use by the public as follows:

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

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

1 13. Tangible personal property purchased by:

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

5 (b) A hospital operated by this state or a political subdivision of
6 this state.

7 (c) A licensed nursing care institution or a licensed residential
8 care institution or a residential care facility operated in conjunction
9 with a licensed nursing care institution or a licensed kidney dialysis
10 center, which provides medical services, nursing services or health
11 related services and is not used or held for profit.

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

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

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

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

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

33 (ii) Incorporated or fabricated by the person into any project
34 described in section 42-5075, subsection ~~θ~~ P.

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

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

42 (i) A nonprofit charitable organization that has qualified under
43 section 501(c)(3) of the internal revenue code if the property is

1 purchased from the parent or an affiliate organization that is located
2 outside this state.

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

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

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

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

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

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

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

33 15. Tangible personal property sold by:

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

37 (b) A nonprofit organization that is exempt from taxation under
38 section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if
39 the organization is associated with a major league baseball team or a
40 national touring professional golfing association and no part of the
41 organization's net earnings inures to the benefit of any private
42 shareholder or individual. This subdivision does not apply to an
43 organization that is owned, managed or controlled, in whole or in part, by
44 a major league baseball team, or its owners, officers, employees or

1 agents, or by a major league baseball association or professional golfing
2 association, or its owners, officers, employees or agents, unless the
3 organization conducted or operated exhibition events in this state before
4 January 1, 2018 that were exempt from transaction privilege tax under
5 section 42-5073.

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

12 16. Drugs and medical oxygen, including delivery hose, mask or
13 tent, regulator and tank, if prescribed by a member of the medical, dental
14 or veterinarian profession who is licensed by law to administer such
15 substances.

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

20 18. Prescription eyeglasses and contact lenses.

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

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

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

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

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

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

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

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

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

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

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

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

18 31. Coal, petroleum, coke, natural gas, virgin fuel oil and
19 electricity purchased by a qualified environmental technology
20 manufacturer, producer or processor as defined in section 41-1514.02 and
21 directly used or consumed in generating or providing on-site power or
22 energy solely for environmental technology manufacturing, producing or
23 processing or environmental protection. This paragraph applies for twenty
24 full consecutive calendar or fiscal years from the date the first paper
25 manufacturing machine is placed in service. In the case of an
26 environmental technology manufacturer, producer or processor that does not
27 manufacture paper, the time period begins with the date the first
28 manufacturing, processing or production equipment is placed in service.

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

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

33 (b) Public educational institutions.

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

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

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

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

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

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

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

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

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

40 (b) "Subcontract" means an agreement between a contractor and any
41 person who is not an employee of the contractor for furnishing of supplies
42 or services that, in whole or in part, are necessary to perform one or
43 more government contracts, or under which any portion of the contractor's
44 obligation under one or more government contracts is performed, undertaken

1 or assumed, and that includes provisions causing title to overhead
2 materials or other tangible personal property used in performing the
3 subcontract to pass to the government or that includes provisions
4 incorporating such title passing clauses in a government contract into the
5 subcontract.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

38 54. Coal acquired from an owner or operator of a power plant by a
39 person that is responsible for refining coal if both of the following
40 apply:

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

43 (b) The title or possession of the coal is transferred back to the
44 owner or operator of the power plant after completion of the coal refining

1 process. For the purposes of this subdivision, "coal refining process"
2 means the application of a coal additive system that aids the reduction of
3 power plant emissions during the combustion of coal and the treatment of
4 flue gas.

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

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

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

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

22 56. Cash equivalents, precious metal bullion and monetized bullion
23 purchased by the ultimate consumer, but coins or other forms of money for
24 manufacture into jewelry or works of art are subject to tax, and tangible
25 personal property that is purchased through the redemption of any cash
26 equivalent by the holder as a means of payment for goods that are subject
27 to tax under this article is subject to tax. For the purposes of this
28 paragraph:

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

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

38 (ii) Prepaid calling cards for telecommunications services.

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

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

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

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

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

20 3. Tangible personal property sold to persons engaged in business
21 classified under the telecommunications classification under section
22 42-5064, including a person representing or working on behalf of such a
23 person in a manner described in section 42-5075, subsection ~~P~~ P, and
24 consisting of central office switching equipment, switchboards, private
25 branch exchange equipment, microwave radio equipment and carrier equipment
26 including optical fiber, coaxial cable and other transmission media that
27 are components of carrier systems.

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

33 5. Machinery and equipment used directly for energy storage for
34 later electrical use. For the purposes of this paragraph:

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

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

42 (c) "Machinery and equipment used directly" means all machinery and
43 equipment that are used for electric energy storage from the point of

1 receipt of such energy in order to facilitate storage of the electric
2 energy to the point where the electric energy is released.

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

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

12 8. Aircraft, navigational and communication instruments and other
13 accessories and related equipment sold to:

14 (a) A person:

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

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

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

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

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

42 (b) Any foreign government.

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

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

12 10. Rolling stock, rails, ties and signal control equipment used
13 directly to transport persons or property.

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

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

25 13. Groundwater measuring devices required under section 45-604.

26 14. Machinery and equipment consisting of agricultural aircraft,
27 tractors, off-highway vehicles, tractor-drawn implements, self-powered
28 implements, machinery and equipment necessary for extracting milk, and
29 machinery and equipment necessary for cooling milk and livestock, and drip
30 irrigation lines not already exempt under paragraph 7 of this subsection
31 and that are used for commercially producing agricultural, horticultural,
32 viticultural and floricultural crops and products in this state. For the
33 purposes of this paragraph:

34 (a) "Off-highway vehicles" means off-highway vehicles as defined in
35 section 28-1171 that are modified at the time of sale to function as a
36 tractor or to tow tractor-drawn implements and that are not equipped with
37 a modified exhaust system to increase horsepower or speed or an engine
38 that is more than one thousand cubic centimeters or that have a maximum
39 speed of fifty miles per hour or less.

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

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

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

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

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

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

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

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

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

32 17. Clean rooms that are used for manufacturing, processing,
33 fabrication or research and development, as defined in paragraph 15 of
34 this subsection, of semiconductor products. For the purposes of this
35 paragraph, "clean room" means all property that comprises or creates an
36 environment where humidity, temperature, particulate matter and
37 contamination are precisely controlled within specified parameters,
38 without regard to whether the property is actually contained within that
39 environment or whether any of the property is affixed to or incorporated
40 into real property. Clean room:

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

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

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

5 18. Machinery and equipment that are used directly in feeding
6 poultry, environmentally controlling housing for poultry, moving eggs
7 within a production and packaging facility or sorting or cooling eggs.
8 This exemption does not apply to vehicles used for transporting eggs.

9 19. Machinery or equipment, including related structural components
10 and containment structures, that is employed in connection with
11 manufacturing, processing, fabricating, job printing, refining, mining,
12 natural gas pipelines, metallurgical operations, telecommunications,
13 producing or transmitting electricity or research and development and that
14 is used directly to meet or exceed rules or regulations adopted by the
15 federal energy regulatory commission, the United States environmental
16 protection agency, the United States nuclear regulatory commission, the
17 Arizona department of environmental quality or a political subdivision of
18 this state to prevent, monitor, control or reduce land, water or air
19 pollution. For the purposes of this paragraph, "containment structure"
20 means a structure that prevents, monitors, controls or reduces noxious or
21 harmful discharge into the environment.

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

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

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

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

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

1 22. Qualifying equipment that is purchased from and after June 30,
2 2004 through December 31, 2028 by a qualified business under section
3 41-1516 for harvesting or processing qualifying forest products removed
4 from qualifying projects as defined in section 41-1516. To qualify for
5 this exemption, the qualified business must obtain and present its
6 certification from the Arizona commerce authority at the time of purchase.

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

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

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

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

27 2. Janitorial equipment and hand tools.

28 3. Office equipment, furniture and supplies.

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

32 5. Motor vehicles required to be licensed by this state, except
33 buses or other urban mass transit vehicles specifically exempted pursuant
34 to subsection B, paragraph 12 of this section, without regard to the use
35 of such motor vehicles.

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

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

39 8. Machinery and equipment or tangible personal property used by a
40 contractor in performing a contract.

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

43 1. Revenues received from sales of ancillary services, electric
44 distribution services, electric generation services, electric transmission

1 services and other services related to providing electricity to a retail
2 electric customer who is located outside this state for use outside this
3 state if the electricity is delivered to a point of sale outside this
4 state.

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

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

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

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

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

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

28 1. A qualified manufacturing or smelting business. A utility that
29 claims this deduction shall report each month, on a form prescribed by the
30 department, the name and address of each qualified manufacturing or
31 smelting business for which this deduction is taken. This paragraph
32 applies to gas transportation services. For the purposes of this
33 paragraph:

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

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

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

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

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

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

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

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

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

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

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

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

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

36 2. "Aircraft" includes:

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

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

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

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

8 Sec. 8. Repeal

9 Section 42-5159, Arizona Revised Statutes, as amended by Laws 2025,
10 chapter 251, section 13, is repealed.

11 Sec. 9. Section 48-261, Arizona Revised Statutes, as amended by
12 Laws 2017, chapter 46, section 1, is amended to read:

13 48-261. District creation; procedures; notice; hearing;
14 determinations; petitions

15 A. A fire district, community park maintenance district, sanitary
16 district or hospital district for either a hospital or an urgent care
17 center shall be created by the following procedures:

18 1. Any adult person desiring to propose creation of a district
19 shall provide a legal description of the area proposed for inclusion in
20 the district to the county assessor of the county in which the district is
21 to be located. The county assessor shall provide to the person proposing
22 formation of the district a detailed list of all taxable **REAL AND PERSONAL**
23 properties in the area proposed for inclusion in the district. The person
24 proposing formation of the district shall prepare and submit a district
25 impact statement to the board of supervisors of the county in which the
26 district is to be located. The county assessor's parcel map and the
27 assessed valuation of the properties as prescribed by section 42-17052 and
28 as shown in the county assessor's records at the time the district impact
29 statement is submitted are deemed sufficient for any required maps and for
30 determining the assessed valuations prescribed by this section. Except
31 for a proposed community park maintenance district that is to be located
32 in more than one county, if a proposed district is located in more than
33 one county, the impact statement shall be submitted to the board of
34 supervisors of the county in which the majority of the **TOTAL** assessed
35 valuation of the proposed district is located. The boards of supervisors
36 of any other counties in which a portion of the district is to be located
37 shall provide information and assistance to the responsible board of
38 supervisors. For a community park maintenance district that is to be
39 located in more than one county, the impact statement shall be submitted
40 to the board of supervisors for each of the affected counties. If the
41 person desiring to create a district pursuant to this section is unable to
42 complete the district impact statement, the board of supervisors may
43 assist in the completion of the impact statement if requested to do so,
44 provided the bond required in subsection C of this section is in an amount

1 sufficient to cover any additional cost to the county. The district
2 impact statement shall contain at least the following information:

3 (a) A legal description of the boundaries of the proposed district
4 and a map and a general description of the area to be included in the
5 district sufficiently detailed to ~~permit~~ ALLOW a property owner to
6 determine whether a particular property is within the proposed district.

7 (b) The detailed list of taxable REAL AND PERSONAL properties
8 provided by the assessor pursuant to this paragraph.

9 (c) An estimate of the TOTAL assessed valuation within the proposed
10 district.

11 (d) An estimate of the change in the property tax liability, as a
12 result of the proposed district, of a typical resident of the proposed
13 district.

14 (e) A list and explanation of benefits that will result from the
15 proposed district.

16 (f) A list and explanation of the injuries that may result from the
17 proposed district.

18 (g) The names, addresses and occupations of the proposed members of
19 the district's organizing board of directors.

20 (h) A general description of the scope of services to be provided
21 by the district during its first five years of operation. At a minimum
22 this description shall include an estimate of anticipated capital
23 expenditures, personnel growth and enhancements to service.

24 2. On receipt of the district impact statement, the board of
25 supervisors shall set a day, at least thirty but not more than sixty days
26 after that date, for a hearing on the impact statement. The board of
27 supervisors, at any time before making a determination pursuant to
28 paragraph 4 of this subsection, may require that the impact statement be
29 amended to include any information that the board of supervisors deems to
30 be relevant and necessary.

31 3. On receipt of the district impact statement, the clerk of the
32 board of supervisors shall mail, by first class mail, notice of the day,
33 hour and place of the hearing on the proposed district to each owner of
34 taxable REAL OR PERSONAL property within the boundaries of the proposed
35 district. The written notice shall state the purpose of the hearing and
36 shall state where a copy of the impact statement may be viewed or
37 requested. The clerk of the board of supervisors shall post the notice in
38 at least three conspicuous public places in the area of the proposed
39 district and shall publish twice in a daily newspaper of general
40 circulation in the area of the proposed district, at least ten days before
41 the hearing, or, if no daily newspaper of general circulation exists in
42 the area of the proposed district, at least twice at any time before the
43 date of the hearing, a notice setting forth the purpose of the impact

1 statement, the description of the area of the proposed district and the
2 day, hour and place of the hearing.

3 4. At the hearing called pursuant to paragraph 2 of this
4 subsection, the board of supervisors shall hear those who appear for and
5 against the proposed district and shall determine whether the creation of
6 the district will promote public health, comfort, convenience, necessity
7 or welfare. If the board of supervisors determines that the public
8 health, comfort, convenience, necessity or welfare will be promoted, it
9 shall approve the district impact statement and authorize the circulation
10 of petitions as provided in this subsection. For a community park
11 maintenance district that is required to obtain the approval of more than
12 one county's board of supervisors, the petitions may only be circulated
13 after approval of the board of supervisors from each affected county. The
14 order of the board of supervisors shall be final, but if the request to
15 circulate petitions is denied, a subsequent request for a similar district
16 may be refiled with the board of supervisors after six months from the
17 date of the denial. The county board of supervisors shall authorize the
18 circulation of petitions of only one proposed new district of the same
19 type in which any property owner's land is proposed for inclusion. A new
20 petition circulation shall not be authorized until the one-year period to
21 submit signatures prescribed by paragraph 6 of this subsection of the
22 original petition circulation has expired or has otherwise been
23 extinguished.

24 5. Within fifteen days after receiving the approval of the board of
25 supervisors as prescribed by paragraph 4 of this subsection, the clerk of
26 the board shall determine the minimum number of signatures and **TOTAL**
27 assessed valuation required for compliance with paragraph 7 of this
28 subsection. After making that determination, the number of signatures
29 shall remain fixed and the assessed valuation of the taxable **REAL OR**
30 **PERSONAL** properties within the boundaries of the proposed district shall
31 remain fixed as prescribed in this subsection for the purposes of
32 determining compliance with the property valuation requirement prescribed
33 in paragraph 7 of this subsection.

34 6. After receiving the approval of the board of supervisors as
35 provided in paragraph 4 of this subsection, any adult person may circulate
36 and present petitions to the board of supervisors of the county in which
37 the district is located. All petitions circulated shall be returned to
38 the board of supervisors within one year from the date of the approval of
39 the board of supervisors pursuant to paragraph 4 of this subsection. Any
40 petition that is returned more than one year from that date is void.

41 7. The petitions presented pursuant to paragraph 6 of this
42 subsection shall comply with the provisions regarding verification in
43 section 48-266 and shall:

1 (a) At all times, contain a map and general description of the
2 boundaries of the proposed district sufficiently detailed to ~~permit~~ ALLOW
3 a REAL OR PERSONAL property owner to determine whether a particular
4 property is within the proposed district and the names, addresses and
5 occupations of the proposed members of the district's organizing board of
6 directors. An alteration of the proposed district shall not be made after
7 receiving the approval of the board of supervisors as provided in
8 paragraph 4 of this subsection. The items required to be contained with
9 the petition under this subdivision shall be printed on the back of the
10 petition form required pursuant to section 48-266 unless the size of the
11 items precludes compliance with this requirement. An error in the legal
12 description of the proposed district shall not invalidate the petitions if
13 considered as a whole the information provided is sufficient to identify
14 the property as illustrated in the map required pursuant to this
15 subdivision.

16 (b) Be signed by owners of more than one-half of the taxable
17 property units in the area of the proposed district and be signed by
18 persons owning collectively more than one-half of the assessed valuation
19 of the property in the area of the proposed district. Property exempt
20 pursuant to title 42, chapter 11, article 3 shall not be considered in
21 determining the total assessed valuation of the proposed district nor
22 shall owners of property not subject to taxation be eligible to sign
23 petitions.

24 8. On receipt of the petitions, including any supplemental
25 signatures, and the report of the county assessor, the board of
26 supervisors shall set a day for a hearing on the petition.

27 9. Before the hearing called pursuant to paragraph 8 of this
28 subsection, the board of supervisors shall determine the validity of the
29 petitions presented.

30 10. At the hearing called pursuant to paragraph 8 of this
31 subsection, the board of supervisors, if the petitions are valid, shall
32 order the creation of the district. The board of supervisors shall enter
33 its order setting forth its determination in the minutes of the meeting,
34 not later than ten days after the day of the hearing, and a copy of the
35 order shall be filed in the county recorder's office. The order of the
36 board of supervisors shall be final, and the proposed district shall be
37 created thirty days after the board of supervisors votes to create the
38 district, except that for a community park maintenance district that is
39 proposed for more than one county, the proposed district is created thirty
40 days after the approval of the board of supervisors of the final county of
41 the counties in which the district is to be located. A decision of the
42 board of supervisors under this subsection is subject to judicial review
43 under title 12, chapter 7, article 6.

1 B. For the purpose of determining the validity of the petitions
2 presented pursuant to subsection A, paragraph 6 of this section:

3 1. REAL OR PERSONAL property held in multiple ownership shall be
4 treated as if it had only one property owner, and the signature of only
5 one of the owners of property held in multiple ownership is required on
6 the formation petition. The number of persons owning property inside the
7 boundaries of the proposed district shall be determined as follows:

8 (a) In the case of property assessed by the county assessor, the
9 number of persons owning property shall be as shown on the most recent
10 assessment of property.

11 (b) In the case of property valued by the department of revenue,
12 the number of persons owning property shall be as shown on the most recent
13 valuation of property.

14 (c) If an undivided parcel of property is owned by multiple owners,
15 those owners are deemed to be one owner for the purposes of this section.

16 (d) If a person owns multiple parcels of property, that owner is
17 deemed to be a single owner for the purposes of this section.

18 2. The value of REAL OR PERSONAL property shall be determined as
19 follows:

20 (a) In the case of property assessed by the county assessor, values
21 shall be the same as those shown on the day the district impact statement
22 is submitted.

23 (b) In the case of property valued by the department of revenue,
24 the values shall be those determined by the department in the manner
25 provided by law, for municipal assessment purposes. The county assessor
26 and the department of revenue, respectively, shall furnish to the board of
27 supervisors, within twenty days after a request, a statement in writing
28 showing the owner, the address of each owner and the appraisal or
29 assessment value of properties contained within the boundaries of the
30 proposed district as described in subsection A of this section.

31 3. Petition signatures representing real property on which taxes
32 and assessments are not current at the time of petition review are
33 invalid.

34 C. The board of supervisors may require of the person desiring to
35 propose creation of a district pursuant to subsection A, paragraph 1 of
36 this section a reasonable bond to be filed with the board at the start of
37 proceedings under this section. The bond shall be in an amount sufficient
38 to cover costs incurred by the county if the district is not finally
39 organized. County costs covered by the bond include any expense incurred
40 from completion of the district impact statement, mailing of the notice of
41 hearing to district property owners, publication of the notice of hearing
42 and other expenses reasonably incurred as a result of any requirements of
43 this section.

1 D. If a district is created pursuant to this section, the cost of
2 publication of the notice of hearing, the cost of the mailing of notices
3 to property owners, the cost of the bond and all other costs incurred by
4 the county as a result of this section shall be a charge against the
5 district.

6 E. If a proposed district would include property located within an
7 incorporated city or town, in addition to the other requirements of
8 subsection A of this section, the board shall approve the creation and
9 authorize the circulation of petitions only if the governing body of the
10 city or town has by ordinance or resolution endorsed the creation.

11 F. Except as provided in section 48-851 and section 48-2001,
12 subsection A, the area of a district created pursuant to this section
13 shall be contiguous.

14 G. A district organized pursuant to this section shall have an
15 organizing board of directors to administer the affairs of the district
16 until a duly constituted board of directors is elected as provided in this
17 title. The organizing board shall have all the powers, duties and
18 responsibilities of an elected board. The organizing board shall consist
19 of the three or five individuals named in the district impact statement
20 and the petitions presented pursuant to subsection A of this section. If
21 a vacancy occurs on the organizing board, the remaining board members
22 shall fill the vacancy by appointing an interim member. Members of the
23 organizing board shall serve without compensation but may be reimbursed
24 for actual expenses incurred in performing their duties. The organizing
25 board shall elect from its members a chairman and a clerk.

26 H. For the purposes of this section, assessed valuation does not
27 include property exempt pursuant to title 42, chapter 11, article 3 AND IS
28 DETERMINED AS PRESCRIBED BY SECTION 48-261.01.

29 Sec. 10. Repeal

30 Section 48-261, Arizona Revised Statutes, as amended by Laws 2025,
31 chapter 61, section 1, is repealed.

32 Sec. 11. Retroactivity

33 A. Sections 2, 3, 4, 7, 8, 9 and 10 of this act apply retroactively
34 to from and after September 25, 2025.

35 B. Sections 5 and 6 of this act apply retroactively to from and
36 after December 31, 2025.

APPROVED BY THE GOVERNOR JUNE 19, 2026.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 22, 2026.