

*Sponsorship has changed since the bill was introduced

Senate Engrossed House Bill

tax; distribution; county stadium district

State of Arizona
House of Representatives
Fifty-seventh Legislature
First Regular Session
2025

CHAPTER 251

HOUSE BILL 2704

AN ACT

AMENDING SECTIONS 28-2154.01, 42-1116, 42-5008.01, 42-5009, 42-5010 AND 42-5029, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 5, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-5032.03; REPEALING SECTION 42-5032.03, ARIZONA REVISED STATUTES, AS ADDED BY THIS ACT; AMENDING SECTIONS 42-5061, 42-5073, 42-5074, 42-5075 AND 42-5159, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 6, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-6018; REPEALING SECTION 42-6018, ARIZONA REVISED STATUTES, AS ADDED BY THIS ACT; AMENDING TITLE 42, CHAPTER 6, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-6113; REPEALING SECTION 42-6113, ARIZONA REVISED STATUTES, AS ADDED BY THIS ACT; AMENDING SECTIONS 43-209, 48-4201, 48-4202, 48-4203 AND 48-4231, ARIZONA REVISED STATUTES; AMENDING TITLE 48, CHAPTER 26, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 48-4238; REPEALING SECTION 48-4238, ARIZONA REVISED STATUTES, AS ADDED BY THIS ACT; AMENDING TITLE 48, CHAPTER 26, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 48-4239; RELATING TO COUNTY STADIUM DISTRICTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 28-2154.01, Arizona Revised Statutes, is amended
3 to read:

4 28-2154.01. Special ninety day nonresident registration
5 permits; procedures

6 A. A dealer or an authorized third party that issues a special
7 ninety day nonresident registration permit pursuant to section 28-2154
8 shall send an electronic record of the permit to the department through an
9 authorized third party or through the department's authorized third-party
10 electronic service provider.

11 B. The department, an authorized third party or a dealer shall not:

12 1. Issue, assign or deliver a special ninety day nonresident
13 registration permit to any person unless the person does all of the
14 following:

15 (a) Obtains the special ninety day nonresident registration permit
16 pursuant to section 28-2154.

17 (b) Completes an affidavit in a form prescribed by the director
18 pursuant to section 28-2154 or completes a form prescribed by section
19 42-5009, subsection H.

20 (c) Presents to the department, authorized third party or motor
21 vehicle dealer a current valid driver license issued by another state
22 indicating an address outside of this state.

23 (d) Provides any other information reasonably and uniformly
24 required by the department of transportation pursuant to section 28-2154
25 or the department of revenue pursuant to section 42-5009, subsection H.

26 2. Issue and affix, as prescribed in subsection C of this section,
27 a special ninety day nonresident registration permit unless the permit is
28 recorded in the electronic records of the department.

29 C. A person who issues a special ninety day nonresident
30 registration permit shall affix or insert, clearly and indelibly, on the
31 face of each permit the dates of issuance and expiration and the make and
32 vehicle identification number of the vehicle. The special ninety day
33 nonresident registration permit shall not bear the name or address of the
34 person who purchased the vehicle in a position that is legible from
35 outside of the vehicle.

36 D. A dealer or authorized third party who issues a special ninety
37 day nonresident registration permit shall maintain a record, in a form
38 prescribed by the director, of all special ninety day nonresident
39 registration permits issued by the dealer or authorized third party and a
40 record of other information pertaining to the issuance of special ninety
41 day nonresident registration permits that the department of transportation
42 or the department of revenue requires.

43 E. The dealer or authorized third party shall keep each record for
44 at least three years after the date of entry of the record.

1 F. A dealer or authorized third party shall allow the director of
2 the department of transportation or the director of the department of
3 revenue full and free access to the records during regular business hours.

4 G. The electronic record is written notice of the removal of the
5 vehicle from this state for use in the purchaser's state of residence and
6 relieves the dealer or authorized third party of liability in accordance
7 with the requirements of section 42-5009.

8 H. If a purchaser registers the vehicle in this state within three
9 hundred sixty-five days after the issuance of the special ninety day
10 nonresident registration permit, the purchaser is liable in an amount
11 equal to any tax, penalty and interest that the motor vehicle dealer or
12 authorized third party would have been required to pay under title 42,
13 chapter 5 and under articles IV and VI of the model city tax code as
14 defined in section 42-6051. At the time of issuing the special ninety day
15 nonresident registration permit, a motor vehicle dealer or authorized
16 third party shall inform the purchaser in writing of the purchaser's
17 liability described in this section. Subsequent registration or use of
18 the vehicle in this state does not create a cause of action against a
19 dealer or authorized third party that complies with section 28-2154,
20 subsection A, this section and section 42-5009, subsection H.

21 I. The department of transportation and the department of revenue
22 shall jointly develop and prescribe forms for the motor vehicle dealer,
23 the authorized third party and the purchaser to complete for the proper
24 administration and enforcement of this section.

25 J. Compliance with this section and section 28-2154 allows delivery
26 of the vehicle to a nonresident purchaser in this state and retains the
27 applicable deductions pursuant to section 42-5061, subsection A, paragraph
28 28 and subsection ~~H~~ V.

29 Sec. 2. Section 42-1116, Arizona Revised Statutes, is amended to
30 read:

31 42-1116. Disposition of tax revenues

32 A. The department of revenue shall promptly deposit, pursuant to
33 sections 35-146 and 35-147, all monies it collects from the taxes
34 administered pursuant to this article except the telecommunication
35 services excise tax, separately accounting for each type of tax and each
36 tax classification within each type of tax. At the same time the
37 department of revenue shall also furnish copies of the transmittal
38 schedules to the director of the department of administration.

39 B. Except as provided by ~~subsection~~ SUBSECTIONS C AND D of this
40 section, the department shall deposit all monies and remittances received
41 under this section to the credit of the following specific funds and
42 accounts:

43 1. Amounts sufficient to meet the requirements for tax refunds to
44 the tax refund account established by section 42-1117.

1 2. Amounts sufficient to meet the requirements of urban revenue
2 sharing to the urban revenue sharing fund established by section 43-206.

3 3. Amounts collected pursuant to chapter 5, articles 1 and 5 of
4 this title to the transaction privilege and severance tax clearing account
5 established by section 42-5029.

6 4. Amounts sufficient to meet the requirements of section 42-3104
7 to the corrections fund.

8 5. Amounts sufficient to meet the requirements of section 49-282,
9 subsection B relating to the water quality assurance revolving fund.

10 6. All remaining monies to the state general fund.

11 C. From the monies and remittances received under this section,
12 each month beginning July 2001 the state treasurer shall transmit to the
13 tourism and sports authority, established by title 5, chapter 8, for
14 deposit in its facility revenue clearing account established by section
15 5-834 one-twelfth of the amount reported by the department pursuant to
16 section 43-209, **SUBSECTION C.**

17 **D. SUBJECT TO SECTION 48-4238, FROM THE MONIES AND REMITTANCES**
18 **RECEIVED UNDER THIS SECTION, EACH YEAR BEGINNING JANUARY 1, 2026 THROUGH**
19 **DECEMBER 31, 2056, THE STATE TREASURER, ON INSTRUCTION FROM THE**
20 **DEPARTMENT, SHALL TRANSMIT EIGHTY-TWO PERCENT OF THE AMOUNT REPORTED BY**
21 **THE DEPARTMENT PURSUANT TO SECTION 43-209, SUBSECTION D FOR THE PRIOR**
22 **TAXABLE YEAR TO THE COUNTY STADIUM DISTRICT ESTABLISHED PURSUANT TO TITLE**
23 **48, CHAPTER 26 FOR DEPOSIT IN THE COUNTY STADIUM DISTRICT FUND ESTABLISHED**
24 **PURSUANT TO SECTION 48-4231.**

25 Sec. 3. Section 42-5008.01, Arizona Revised Statutes, is amended to
26 read:

27 **42-5008.01. Liability for amounts equal to retail transaction**
28 **privilege tax due**

29 A. A person that is either a prime contractor subject to tax under
30 section 42-5075 or a subcontractor working under the control of such a
31 prime contractor, that purchases tangible personal property, the purchase
32 price of which was excluded from the tax base under the retail
33 classification under section 42-5061, subsection A, paragraph 27 or was
34 excluded from the use tax under section 42-5159, subsection A, paragraph
35 13, subdivision (g) at the time of purchase, and that incorporates or
36 fabricates the tangible personal property into a project described in
37 section 42-5075, subsection ~~⊖~~ **P** is liable for an amount equal to any tax
38 that a seller would have been required to pay under section 42-5061 and
39 this article as follows:

40 1. The amount of liability shall be calculated and reported based
41 on the location of the project and the taxes imposed under this chapter
42 and chapter 6 of this title.

43 2. All deductions, exemptions and exclusions for the cost of
44 tangible personal property provided in section 42-5075 apply to the
45 tangible personal property incorporated or fabricated into the project.

1 3. This subsection does not apply to tangible personal property
2 that is incorporated or fabricated into any project under a contract that
3 would otherwise be excluded from the tax base under section 42-5075,
4 without regard to section 42-5075, subsection ~~⊖~~ P.

5 4. The amount of liability shall be reported within the reporting
6 period that includes the month in which the person incorporates or
7 fabricates the tangible personal property into the project.

8 5. The person is not liable for the amount if the contractor who
9 hired the person executes and provides to the person a certificate stating
10 that the contractor providing the certificate is liable for any amount due
11 under this subsection. The department shall prescribe the form of the
12 certificate. If the person has reason to believe that the information
13 contained on the certificate is erroneous or incomplete, the department
14 may disregard the certificate. The contractor providing the certificate
15 is liable for the amount that otherwise would be due from the person under
16 this subsection.

17 B. A person that purchased tangible personal property, the purchase
18 price of which was excluded from the tax base under section 42-5061,
19 subsection A, paragraph 27 or was excluded from the use tax under section
20 42-5159, subsection A, paragraph 13, subdivision (g) at the time of
21 purchase, that subsequently cancels its transaction privilege tax license
22 and that uses, consumes, sells or discards the tangible personal property
23 is liable for an amount of tax determined under this subsection. For the
24 purposes of this subsection:

25 1. If the tangible personal property is incorporated or fabricated
26 into a project described in section 42-5075, subsection ~~⊖~~ P, or otherwise
27 used or consumed by the person, the amount of liability shall be
28 calculated and reported based on the person's purchase price of the
29 tangible personal property, the location of the project, use or
30 consumption and the taxes imposed under this chapter and chapter 6 of this
31 title.

32 2. If the tangible personal property is sold in a manner that is
33 not subject to tax under this chapter or is discarded, the amount shall be
34 calculated and reported based on the payment received by the person, the
35 location of the person's principal place of business in this state and the
36 taxes imposed under this chapter and chapter 6 of this title.

37 3. The person is not liable under this subsection for any amount if
38 the person discards the tangible personal property and does not receive
39 payment of any kind.

40 4. The amount of liability shall be reported on or before the
41 business day preceding the last business day of the month following the
42 month in which the person uses the tangible personal property in a manner
43 described in paragraph 1 or 2 of this subsection. No amount is due under
44 this subsection at any time that the person stores the tangible personal

1 property without using it in a manner described in paragraph 1 or 2 of
2 this subsection.

3 5. All deductions, exemptions and exclusions for the cost of
4 tangible personal property provided in section 42-5075 apply to the
5 tangible personal property incorporated or fabricated into a project
6 described in section 42-5075, subsection ~~⊖~~ P.

7 6. This subsection does not apply to tangible personal property
8 that is incorporated or fabricated into any project under a contract that
9 would otherwise be excluded from the tax base under section 42-5075,
10 without regard to section 42-5075, subsection ~~⊖~~ P.

11 7. The person is not liable for the amount if the contractor who
12 hired the person executes and provides to the person a certificate stating
13 that the contractor providing the certificate is liable for any amount due
14 under this subsection for tangible personal property incorporated or
15 fabricated into a project described in section 42-5075, subsection ~~⊖~~ P.
16 The department shall prescribe the form of the certificate. If the person
17 has reason to believe that the information contained on the certificate is
18 erroneous or incomplete, the department may disregard the certificate.
19 The contractor providing the certificate is liable for the amount that
20 otherwise would be due from the person under this subsection.

21 C. A person that fails to report or pay any amount due under
22 subsection A or B of this section is liable for interest in a manner
23 consistent with section 42-1123 and penalties in a manner consistent with
24 section 42-1125.

25 D. If a person has paid an amount described in this section on
26 tangible personal property that the person reasonably believed to be
27 described ~~IN~~ section 42-5075, subsection ~~⊖~~ P and a final determination is
28 made that section 42-5075, subsection ~~⊖~~ P does not apply, the person is
29 entitled to an offset for the amount paid under this section against the
30 amount of tax liability assessed under this chapter and chapter 6 of this
31 title.

32 Sec. 4. Section 42-5009, Arizona Revised Statutes, is amended to
33 read:

34 42-5009. Certificates establishing deductions; liability for
35 making false certificate; tax exclusion;
36 definitions

37 A. A person who conducts any business classified under article 2 of
38 this chapter may establish entitlement to the allowable deductions from
39 the tax base of that business by both:

40 1. Marking the invoice for the transaction to indicate that the
41 gross proceeds of sales or gross income derived from the transaction was
42 deducted from the tax base.

43 2. Obtaining a certificate executed by the purchaser indicating the
44 name and address of the purchaser, the precise nature of the business of
45 the purchaser, the purpose for which the purchase was made, the necessary

1 facts to establish the appropriate deduction and the tax license number of
2 the purchaser to the extent the deduction depends on the purchaser
3 conducting business classified under article 2 of this chapter and a
4 certification that the person executing the certificate is authorized to
5 do so on behalf of the purchaser. The certificate may be disregarded if
6 the seller has reason to believe that the information contained in the
7 certificate is not accurate or complete.

8 B. A person who does not comply with subsection A of this section
9 may establish entitlement to the deduction by presenting facts necessary
10 to support the entitlement, but the burden of proof is on that person.

11 C. The department may prescribe a form for the certificate
12 described in subsection A of this section. Under such rules as it may
13 prescribe, the department may also describe transactions with respect to
14 which a person is not entitled to rely solely on the information contained
15 in the certificate provided for in subsection A of this section but must
16 instead obtain such additional information as required by the rules in
17 order to be entitled to the deduction.

18 D. If a seller is entitled to a deduction by complying with
19 subsection A of this section, the department may require the purchaser
20 that caused the execution of the certificate to establish the accuracy and
21 completeness of the information required to be contained in the
22 certificate that would entitle the seller to the deduction. If the
23 purchaser cannot establish the accuracy and completeness of the
24 information, the purchaser is liable in an amount equal to any tax,
25 penalty and interest that the seller would have been required to pay under
26 this article if the seller had not complied with subsection A of this
27 section. Payment of the amount under this subsection exempts the
28 purchaser from liability for any tax imposed under article 4 of this
29 chapter. The amount shall be treated as tax revenues collected from the
30 seller in order to designate the distribution base for purposes of section
31 42-5029.

32 E. If a seller is entitled to a deduction by complying with
33 subsection B of this section, the department may require the purchaser to
34 establish the accuracy and completeness of the information provided to the
35 seller that entitled the seller to the deduction. If the purchaser cannot
36 establish the accuracy and completeness of the information, the purchaser
37 is liable in an amount equal to any tax, penalty and interest that the
38 seller would have been required to pay under this article if the seller
39 had not complied with subsection B of this section. Payment of the amount
40 under this subsection exempts the purchaser from liability for any tax
41 imposed under article 4 of this chapter. The amount shall be treated as
42 tax revenues collected from the seller in order to designate the
43 distribution base for purposes of section 42-5029.

1 F. The department may prescribe a form for a certificate used to
2 establish entitlement to the deductions described in section 42-5061,
3 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3.
4 Under rules the department may prescribe, the department may also require
5 additional information for the seller to be entitled to the deduction. If
6 a seller is entitled to the deductions described in section 42-5061,
7 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3,
8 the department may require the purchaser who executed the certificate to
9 establish the accuracy and completeness of the information contained in
10 the certificate that would entitle the seller to the deduction. If the
11 purchaser cannot establish the accuracy and completeness of the
12 information, the purchaser is liable in an amount equal to any tax,
13 penalty and interest that the seller would have been required to pay under
14 this article. Payment of the amount under this subsection exempts the
15 purchaser from liability for any tax imposed under article 4 of this
16 chapter. The amount shall be treated as tax revenues collected from the
17 seller in order to designate the distribution base for purposes of section
18 42-5029.

19 G. If a seller claims a deduction under section 42-5061,
20 subsection A, paragraph 25 and establishes entitlement to the deduction
21 with an exemption letter that the purchaser received from the department
22 and the exemption letter was based on a contingent event, the department
23 may require the purchaser that received the exemption letter to establish
24 the satisfaction of the contingent event within a reasonable time. If the
25 purchaser cannot establish the satisfaction of the event, the purchaser is
26 liable in an amount equal to any tax, penalty and interest that the seller
27 would have been required to pay under this article if the seller had not
28 been furnished the exemption letter. Payment of the amount under this
29 subsection exempts the purchaser from liability for any tax imposed under
30 article 4 of this chapter. The amount shall be treated as tax revenues
31 collected from the seller in order to designate the distribution base for
32 purposes of section 42-5029. For the purposes of this subsection,
33 "reasonable time" means a time limitation that the department determines
34 and that does not exceed the time limitations pursuant to section 42-1104.

35 H. The department shall prescribe forms for certificates used to
36 establish the satisfaction of the criteria necessary to qualify the sale
37 of a motor vehicle for the deductions described in section 42-5061,
38 subsection A, ~~paragraph~~ PARAGRAPHS 14, ~~paragraph~~ 28 and ~~paragraph~~ 44 and
39 subsection ~~U~~ V. Except as provided in subsection J of this section, to
40 establish entitlement to these deductions, a motor vehicle dealer shall
41 retain:

42 1. A valid certificate as prescribed by this subsection completed
43 by the purchaser and obtained before the issuance of the nonresident
44 registration permit authorized by section 28-2154.

1 2. For the purposes of the deductions provided by section 42-5061,
2 subsection A, paragraph 14, subdivision (b) and section 42-5061,
3 subsection ~~+~~ V, a copy of the nonresident registration permit authorized
4 by section 28-2154.

5 3. A legible copy of a current valid driver license issued to the
6 purchaser by another state or foreign country that indicates an address
7 outside of this state. For the sale of a motor vehicle to a nonresident
8 entity, the entity's representative must have a current valid driver
9 license issued by the same jurisdiction as that in which the entity is
10 located.

11 4. For the purposes of the deduction provided by section 42-5061,
12 subsection A, paragraph 14, subdivision (a), a certificate documenting the
13 delivery of the motor vehicle to an out-of-state location.

14 I. Notwithstanding subsection A, paragraph 2 of this section, if a
15 motor vehicle dealer has established entitlement to a deduction by
16 complying with subsection H of this section, the department may require
17 the purchaser who executed the certificate to establish the accuracy and
18 completeness of the information contained in the certificate that entitled
19 the motor vehicle dealer to the deduction. If the purchaser cannot
20 establish the accuracy and completeness of the information, the purchaser
21 is liable in an amount equal to any tax, penalty and interest that the
22 motor vehicle dealer would have been required to pay under this article
23 and under articles IV and V of the model city tax code as defined in
24 section 42-6051. Payment of the amount under this subsection exempts the
25 purchaser from liability for any tax imposed under article 4 of this
26 chapter and any tax imposed under article VI of the model city tax code as
27 defined in section 42-6051. The amount shall be treated as tax revenues
28 collected from the motor vehicle dealer in order to designate the
29 distribution base for purposes of section 42-5029.

30 J. To establish entitlement to the deduction described in section
31 42-5061, subsection A, paragraph 44, a public consignment auction dealer
32 as defined in section 28-4301 shall retain a copy of the certificate
33 prescribed by subsection H of this section for its records.

34 K. Notwithstanding any other law, compliance with subsection H of
35 this section by a motor vehicle dealer entitles the motor vehicle dealer
36 to the exemption provided in section 42-6004, subsection A, paragraph 4.

37 L. The department shall prescribe a form for a certificate to be
38 used by a person that is not subject to tax under section 42-5075 when the
39 person is engaged by a contractor that is subject to tax under section
40 42-5075 for a project that is taxable under section 42-5075. The
41 certificate permits the person purchasing tangible personal property to be
42 incorporated or fabricated by the person into any real property,
43 structure, project, development or improvement to provide documentation to
44 a retailer that the sale of tangible personal property qualifies for the
45 deduction under section 42-5061, subsection A, paragraph 27,

1 subdivision (b). A prime contractor shall obtain the certificate from the
2 department and shall provide a copy to any such person working on the
3 project. The prime contractor shall obtain a new certificate for each
4 project to which this subsection applies. For the purposes of this
5 subsection, the following apply:

6 1. The person that is not subject to tax under section 42-5075 may
7 use the certificate issued pursuant to this subsection only with respect
8 to tangible personal property that will be incorporated into a project for
9 which the gross receipts are subject to tax under section 42-5075.

10 2. The department shall issue the certificate to the prime
11 contractor on receiving sufficient documentation to establish that the
12 prime contractor meets the requirements of this subsection.

13 3. If any person uses the certificate provided under this
14 subsection to purchase tangible personal property to be used in a project
15 that is not subject to tax under section 42-5075, the person is liable in
16 an amount equal to any tax, penalty and interest that the seller would
17 have been required to pay under this article if the seller had not
18 complied with subsection A of this section. Payment of the amount under
19 this section exempts the person from liability for any tax imposed under
20 article 4 of this chapter. The amount shall be sourced under section
21 42-5040, subsection A, paragraph 2.

22 M. Notwithstanding any other law, compliance with subsection L of
23 this section by a person that is not subject to tax under section 42-5075
24 entitles the person to the exemption allowed by section 465,
25 subsection (k) of the model city tax code when purchasing tangible
26 personal property to be incorporated or fabricated by the person into any
27 real property, structure, project, development or improvement.

28 N. The requirements of subsections A and B of this section do not
29 apply to owners, proprietors or tenants of agricultural lands or farms who
30 sell livestock or poultry feed that is grown or raised on their lands to
31 any of the following:

32 1. Persons who feed their own livestock or poultry.

33 2. Persons who are engaged in the business of producing livestock
34 or poultry commercially.

35 3. Persons who are engaged in the business of feeding livestock or
36 poultry commercially or who board livestock noncommercially.

37 O. A vendor who has reason to believe that a certificate prescribed
38 by this section is not accurate or complete will not be relieved of the
39 burden of proving entitlement to the exemption. A vendor that accepts a
40 certificate in good faith will be relieved of the burden of proof and the
41 purchaser may be required to establish the accuracy of the claimed
42 exemption. If the purchaser cannot establish the accuracy and
43 completeness of the information provided in the certificate, the purchaser
44 is liable for an amount equal to the transaction privilege tax, penalty

1 and interest that the vendor would have been required to pay if the vendor
2 had not accepted the certificate.

3 P. Notwithstanding any other law, an online lodging operator, as
4 defined in section 42-5076, shall be entitled to an exclusion from any
5 applicable taxes for any online lodging transaction, as defined in section
6 42-5076, facilitated by an online lodging marketplace, as defined in
7 section 42-5076, for which the online lodging operator has obtained from
8 the online lodging marketplace written notice that the online lodging
9 marketplace is registered with the department to collect applicable taxes
10 for all online lodging transactions facilitated by the online lodging
11 marketplace, and transaction history documenting tax collected by the
12 online lodging marketplace, pursuant to section 42-5005, subsection L.

13 Q. The department shall prescribe the form of a certificate to be
14 used by a person purchasing an aircraft to document eligibility for a
15 deduction pursuant to section 42-5061, subsection B, paragraph 8,
16 subdivision (a), item (v) or an exemption pursuant to section 42-5159,
17 subsection B, paragraph 8, subdivision (a), item (v), relating to
18 aircraft. The person must provide this certificate and documentation
19 confirming that the operational control of the aircraft has been
20 transferred or will be transferred immediately after the purchase to one
21 or more persons described in section 42-5061, subsection B, paragraph 8,
22 subdivision (a), item (i), (ii), (iii) or (iv) or section 42-5159,
23 subsection B, paragraph 8, subdivision (a), item (i), (ii), (iii) or (iv).
24 Operational control of the aircraft must be transferred for at least fifty
25 percent of the aircraft's flight hours. If such operational control is
26 not transferred for at least fifty percent of the aircraft's flight hours
27 during the recapture period, the owner of the aircraft is liable for an
28 amount equal to any tax that the seller or purchaser would have been
29 required to pay under this chapter at the time of the sale, plus penalty
30 and interest. The recapture period begins on the date that operational
31 control of the aircraft is first transferred and ends on the later of the
32 date the aircraft is fully depreciated for federal income tax purposes or
33 five years after operational control was first transferred. For the
34 purposes of this subsection, operational control of the aircraft must be
35 within the meaning of federal aviation administration operations
36 specification A008, or its successor, except that:

37 1. If it is determined that operational control has been
38 transferred for less than fifty percent but more than forty percent of the
39 aircraft's flight hours, the owner of the aircraft is liable for an amount
40 equal to any tax that the seller or purchaser would have been required to
41 pay under this chapter at the time of the sale, plus interest.

42 2. If the aircraft is sold during the recapture period, the seller
43 is not liable for the amount determined pursuant to this subsection unless
44 the operational control of the aircraft had not been transferred for at

1 least fifty percent of the aircraft's flight hours at the time of the
2 sale.

3 R. Notwithstanding any other law, a shared vehicle owner is
4 entitled to an exclusion from any applicable taxes for a shared vehicle
5 transaction that is facilitated by a peer-to-peer car sharing program and
6 for which the peer-to-peer car sharing program has collected and remitted
7 applicable taxes.

8 S. A qualifying community health center, qualifying health care
9 organization or qualifying hospital or any other entity that is recognized
10 as nonprofit under section 501(c) of the United States internal revenue
11 code and that is required to obtain an exemption letter from the
12 department shall:

13 1. Apply to the department for the exemption letter and fully
14 answer any eligibility questions required by the department for the
15 purposes of the exemption letter. If the department approves the
16 exemption letter application, the exemption letter is valid until the
17 entity is no longer qualified for the exemption letter.

18 2. Notify the department in writing if the entity no longer
19 qualifies for the exemption letter. Regardless of whether the entity
20 notifies the department as required by this paragraph, if the entity no
21 longer qualifies for the exemption letter, the entity is liable in an
22 amount equal to any tax, penalty and interest that the seller would have
23 been required to pay under this article if the seller had not been
24 furnished the exemption letter. Payment of the amount under this
25 paragraph exempts the entity from liability for any tax imposed under
26 article 4 of this chapter. The amount shall be treated as tax revenues
27 collected from the seller in order to designate the distribution base for
28 the purposes of section 42-5029.

29 T. For the purposes of this section, "peer-to-peer car sharing
30 program", "shared vehicle owner" and "shared vehicle transaction" have the
31 same meanings prescribed in section 28-9601.

32 Sec. 5. Section 42-5010, Arizona Revised Statutes, is amended to
33 read:

34 42-5010. Rates; distribution base

35 A. The tax imposed by this article is levied and shall be collected
36 at the following rates:

37 1. Five percent of the tax base as computed for the business of
38 every person engaging or continuing in this state in the following
39 business classifications described in article 2 of this chapter:

- 40 (a) Transporting classification.
- 41 (b) Utilities classification.
- 42 (c) Telecommunications classification.
- 43 (d) Pipeline classification.
- 44 (e) Private car line classification.
- 45 (f) Publication classification.

1 (g) Job printing classification.
2 (h) Prime contracting classification.
3 (i) Amusement classification.
4 (j) Restaurant classification.
5 (k) Personal property rental classification.
6 (l) Retail classification and amounts equal to retail transaction
7 privilege tax due pursuant to section 42-5008.01.
8 2. Five and one-half percent of the tax base as computed for the
9 business of every person engaging or continuing in this state in:
10 (a) The transient lodging classification described in section
11 42-5070.
12 (b) The online lodging marketplace classification described in
13 section 42-5076 who has entered into an agreement with the department to
14 register for, or has otherwise obtained from the department, a license to
15 collect tax pursuant to section 42-5005, subsection L.
16 3. Three and one-eighth percent of the tax base as computed for the
17 business of every person engaging or continuing in this state in the
18 mining classification described in section 42-5072.
19 4. Zero percent of the tax base as computed for the business of
20 every person engaging or continuing in this state in the commercial lease
21 classification described in section 42-5069.
22 B. Except as provided by ~~subsection~~ SUBSECTIONS J AND K of this
23 section, twenty percent of the tax revenues collected at the rate
24 prescribed by subsection A, paragraph 1 of this section from persons on
25 account of engaging in business under the business classifications listed
26 in subsection A, paragraph 1, subdivisions (a) through (h) of this section
27 is designated as distribution base for THE purposes of section 42-5029.
28 C. EXCEPT AS PROVIDED BY SUBSECTION K OF THIS SECTION, forty
29 percent of the tax revenues collected at the rate prescribed by subsection
30 A, paragraph 1 of this section from persons on account of engaging in
31 business under the business classifications listed in subsection A,
32 paragraph 1, subdivisions (i) through (l) of this section is designated as
33 distribution base for THE purposes of section 42-5029.
34 D. Thirty-two percent of the tax revenues collected from persons on
35 account of engaging in business under the business classification listed
36 in subsection A, paragraph 3 of this section is designated as distribution
37 base for THE purposes of section 42-5029.
38 E. Fifty-three and one-third percent of the tax revenues collected
39 from persons on account of engaging in business under the business
40 classification listed in subsection A, paragraph 4 of this section is
41 designated as distribution base for THE purposes of section 42-5029.
42 F. Fifty percent of the tax revenues collected from persons on
43 account of engaging in business under the business classification listed
44 in subsection A, paragraph 2 of this section is designated as distribution
45 base for THE purposes of section 42-5029.

1 G. In addition to the rates prescribed by subsection A of this
2 section, if approved by the qualified electors voting at a statewide
3 general election, an additional rate increment is imposed and shall be
4 collected through June 30, 2021. The taxpayer shall pay taxes pursuant to
5 this subsection at the same time and in the same manner as under
6 subsection A of this section. The department shall separately account for
7 the revenues collected with respect to the rates imposed pursuant to this
8 subsection and the state treasurer shall distribute all of those revenues
9 in the manner prescribed by section 42-5029, subsection E. The rates
10 imposed pursuant to this subsection shall not be considered local revenues
11 for purposes of article IX, section 21, Constitution of Arizona. The
12 additional tax rate increment is levied at the rate of six-tenths of one
13 per cent of the tax base of every person engaging or continuing in this
14 state in a business classification listed in subsection A, paragraph 1 of
15 this section.

16 H. Any increase in the rate of tax that is imposed by this chapter
17 and that is enacted by the legislature or by a vote of the people does not
18 apply with respect to contracts entered into by prime contractors or
19 pursuant to written bids made by prime contractors on or before the
20 effective date of the legislation or the date of the election enacting the
21 increase. To qualify for the exemption under this subsection, the prime
22 contractor must maintain sufficient documentation, in a manner and form
23 prescribed by the department, to verify the date of the contract or
24 written bid.

25 I. For taxpayers **THAT ARE** taxable under this chapter other than
26 prime contractors taxable pursuant to section 42-5075:

27 1. Any increase in the rate of tax that is levied by this article
28 or article 2 of this chapter enacted by the legislature or by a vote of
29 the people does not apply for a period of one hundred twenty days ~~from~~
30 **AFTER** the date of the tax rate increase to the gross proceeds of sales or
31 gross income from the business of the taxpayer with respect to written
32 contracts entered into before the effective date of the tax rate increase
33 unless the taxpayer has entered into a contract that contains a provision
34 that entitles the taxpayer to recover from the purchaser the amount of the
35 additional tax levied.

36 2. The provisions of this subsection apply without regard to the
37 accounting method used by the taxpayer to report the taxes imposed under
38 article 2 of this chapter.

39 3. The provisions of this subsection shall not be considered in
40 determining the rate of tax imposed under chapter 6, article 3 of this
41 title.

42 J. Zero percent of the tax revenues that are collected at the rate
43 prescribed by subsection A, paragraph 1 of this section from persons on
44 account of engaging in business under the business classification listed
45 in subsection A, paragraph 1, subdivision (h) of this section, ~~and that~~

1 are subject to any distribution required by section 42-5032.02, is
2 designated as distribution base for the purposes of section 42-5029 until
3 the total amount subject to distribution pursuant to section 42-5032.02
4 has reached the maximum amount prescribed by section 42-5032.02,
5 subsection C. Thereafter, twenty percent of the remaining tax revenues is
6 designated as distribution base for the purposes of section 42-5029 as
7 provided by subsection B of this section.

8 K. SUBJECT TO SECTION 48-4238, BEGINNING ON THE FIRST DAY OF THE
9 MONTH FOLLOWING THE EFFECTIVE DATE OF THIS AMENDMENT TO THIS SECTION
10 THROUGH DECEMBER 31, 2055, ZERO PERCENT OF THE TAX REVENUES THAT ARE
11 COLLECTED AT THE RATE PRESCRIBED BY SUBSECTION A, PARAGRAPH 1 OF THIS
12 SECTION FROM PERSONS ENGAGING IN BUSINESS UNDER THE BUSINESS
13 CLASSIFICATIONS LISTED IN SUBSECTION A, PARAGRAPH 1, SUBDIVISIONS (h),
14 (i), (j) AND (l) OF THIS SECTION AND THAT ARE SUBJECT TO TRANSMITTAL
15 REQUIRED BY SECTION 42-5032.03 IS DESIGNATED AS DISTRIBUTION BASE FOR THE
16 PURPOSES OF SECTION 42-5029. BEGINNING JANUARY 1, 2056, TWENTY PERCENT OF
17 THE REMAINING TAX REVENUES COLLECTED AT THE RATE PRESCRIBED BY SUBSECTION
18 A, PARAGRAPH 1 OF THIS SECTION FROM PERSONS ENGAGING IN BUSINESS UNDER THE
19 BUSINESS CLASSIFICATION LISTED IN SUBSECTION A, PARAGRAPH 1, SUBDIVISION
20 (h) OF THIS SECTION IS DESIGNATED AS DISTRIBUTION BASE FOR THE PURPOSES OF
21 SECTION 42-5029 AS PROVIDED BY SUBSECTION B OF THIS SECTION AND FORTY
22 PERCENT OF THE REMAINING TAX REVENUES COLLECTED AT THE RATE PRESCRIBED BY
23 SUBSECTION A, PARAGRAPH 1 OF THIS SECTION FROM PERSONS ENGAGING IN
24 BUSINESS UNDER THE BUSINESS CLASSIFICATIONS LISTED IN SUBSECTION A,
25 PARAGRAPH 1, SUBDIVISIONS (i), (j) AND (l) OF THIS SECTION IS DESIGNATED
26 AS DISTRIBUTION BASE FOR THE PURPOSES OF SECTION 42-5029 AS PROVIDED BY
27 SUBSECTION C OF THIS SECTION.

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

30 42-5029. Remission and distribution of monies; withholding;
31 definition

32 A. The department shall deposit, pursuant to sections 35-146 and
33 35-147, all revenues collected under this article and articles 4, 5 and 8
34 of this chapter pursuant to section 42-1116, separately accounting for:

35 1. Payments of estimated tax under section 42-5014, subsection D.

36 2. Revenues collected pursuant to section 42-5070.

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

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

42 5. Revenues collected pursuant to section 42-5010.01 and section
43 42-5155, subsection E.

44 6. Revenues collected pursuant to section 42-5061 from a remote
45 seller.

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

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

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

18 1. Pay twenty-five percent to the various incorporated
19 municipalities in this state in proportion to their population to be used
20 by the municipalities for any municipal purpose, except a municipality
21 shall use monies paid from revenues separately accounted for pursuant to
22 subsection A, paragraph 6 of this section and paid pursuant to this
23 paragraph for public safety before any other municipal purpose.

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

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

28 (b) The proportion that the distribution base monies collected
29 during the calendar month in each county under this article, section
30 42-5164, subsection B and section 42-5205, subsection B bear to the total
31 distribution base monies collected under this article, section 42-5164,
32 subsection B and section 42-5205, subsection B throughout the state for
33 the calendar month.

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

36 (a) Average the following proportions:

37 (i) The proportion that the assessed valuation used to determine
38 secondary property taxes of each county, after deducting that part of the
39 assessed valuation that is exempt from taxation at the beginning of the
40 month for which the amount is to be paid, bears to the total assessed
41 valuations used to determine secondary property taxes of all the counties
42 after deducting that portion of the assessed valuations that is exempt
43 from taxation at the beginning of the month for which the amount is to be
44 paid. Property of a city or town that is not within or contiguous to the
45 municipal corporate boundaries and from which water is or may be withdrawn

1 or diverted and transported for use on other property is considered to be
2 taxable property in the county for purposes of determining assessed
3 valuation in the county under this item.

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

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

21 4. After any distributions required by sections 42-5030,
22 42-5030.01, 42-5031, 42-5032, 42-5032.01, ~~and~~ 42-5032.02 **AND 42-5032.03**
23 and after making any transfer to the water quality assurance revolving
24 fund as required by section 49-282, subsection B, credit the remainder of
25 the monies designated as distribution base to the state general fund.
26 From this amount the legislature shall annually appropriate to:

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

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

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

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

43 1. If there are outstanding state school facilities revenue bonds
44 pursuant to title 15, chapter 16, article 7, each month one-twelfth of the
45 amount that is necessary to pay the fiscal year's debt service on

1 outstanding state school improvement revenue bonds for the current fiscal
2 year shall be transferred each month to the school improvement revenue
3 bond debt service fund established by section 15-2084. The total amount
4 of bonds for which these monies may be allocated for the payment of debt
5 service shall not exceed a principal amount of eight hundred million
6 dollars exclusive of refunding bonds and other refinancing obligations.

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

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

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

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

- 36 (a) In fiscal year 2001-2002, \$15,305,900.
37 (b) In fiscal year 2002-2003, \$31,530,100.
38 (c) In fiscal year 2003-2004, \$48,727,700.
39 (d) In fiscal year 2004-2005, \$66,957,200.
40 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
41 \$86,280,500.

42 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of
43 this subsection, seven million eight hundred thousand dollars is
44 appropriated each fiscal year, to be paid in monthly installments, to the
45 department of education to be used for school safety as provided in

1 section 15-154 and two hundred thousand dollars is appropriated each
2 fiscal year, to be paid in monthly installments to the department of
3 education to be used for the character education matching grant program as
4 provided in section 15-154.01.

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

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

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

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

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

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

27 (c) Forty per cent shall be allocated for maintenance and operation
28 purposes.

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

32 G. Notwithstanding subsection D of this section, if a court of
33 competent jurisdiction finally determines that tax monies distributed
34 under this section were illegally collected under this article or articles
35 5 and 8 of this chapter and orders the monies to be refunded to the
36 taxpayer, the department shall compute the amount of such monies that was
37 distributed to each city, town and county under this section. Each
38 city's, town's and county's proportionate share of the costs shall be
39 based on the amount of the original tax payment each municipality and
40 county received. Each month the state treasurer shall reduce the amount
41 otherwise distributable to the city, town and county under this section by
42 1/36 of the total amount to be recovered from the city, town or county
43 until the total amount has been recovered, but the monthly reduction for
44 any city, town or county shall not exceed ten percent of the full monthly
45 distribution to that entity. The reduction shall begin for the first

1 calendar month after the final disposition of the case and shall continue
2 until the total amount, including interest and costs, has been recovered.

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

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

24 J. Except as otherwise provided by this subsection, on notice from
25 the department of revenue pursuant to section 42-6010, subsection B, the
26 state treasurer shall withhold from the distribution of monies pursuant to
27 this section to the affected city or town the amount of the penalty for
28 business location municipal tax incentives provided by the city or town to
29 a business entity that locates a retail business facility in the city or
30 town. The state treasurer shall continue to withhold monies pursuant to
31 this subsection until the entire amount of the penalty has been withheld.
32 The state treasurer shall credit any monies withheld pursuant to this
33 subsection to the state general fund as provided by subsection D,
34 paragraph 4 of this section. The state treasurer shall not withhold any
35 amount that the city or town certifies to the department of revenue and
36 the state treasurer as being necessary to make any required deposits or
37 payments for debt service on bonds or other long-term obligations of the
38 city or town that were issued or incurred before the location incentives
39 provided by the city or town.

40 K. On notice from the auditor general pursuant to section 9-626,
41 subsection D, the state treasurer shall withhold from the distribution of
42 monies pursuant to this section to the affected city the amount computed
43 pursuant to section 9-626, subsection D. The state treasurer shall
44 continue to withhold monies pursuant to this subsection until the entire
45 amount specified in the notice has been withheld. The state treasurer

1 shall credit any monies withheld pursuant to this subsection to the state
2 general fund as provided by subsection D, paragraph 4 of this section.

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

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

25 Sec. 7. Title 42, chapter 5, article 1, Arizona Revised Statutes,
26 is amended by adding section 42-5032.03, to read:

27 42-5032.03. Distribution of revenues for county stadium
28 district; definitions

29 A. SUBJECT TO SECTION 48-4238, BEGINNING THE FIRST MONTH FOLLOWING
30 THE EFFECTIVE DATE OF THIS SECTION AND EACH MONTH THEREAFTER THROUGH MARCH
31 31, 2056, THE STATE TREASURER, ON INSTRUCTION FROM THE DEPARTMENT, SHALL
32 TRANSMIT THE AMOUNT DETERMINED UNDER SUBSECTION B OF THIS SECTION TO THE
33 COUNTY STADIUM DISTRICT ESTABLISHED PURSUANT TO TITLE 48, CHAPTER 26 FOR
34 DEPOSIT IN THE COUNTY STADIUM DISTRICT FUND ESTABLISHED PURSUANT TO
35 SECTION 48-4231.

36 B. THE AMOUNT TO BE TRANSMITTED UNDER SUBSECTION A OF THIS SECTION
37 IS THE TOTAL AMOUNT OF STATE TRANSACTION PRIVILEGE TAX REVENUES RECEIVED
38 FOR TAXABLE PERIODS BEGINNING THE FIRST DAY OF THE MONTH FOLLOWING THE
39 EFFECTIVE DATE OF THIS SECTION THROUGH DECEMBER 31, 2055 FROM PERSONS
40 CONDUCTING BUSINESS UNDER THE RETAIL, AMUSEMENT, RESTAURANT AND PRIME
41 CONTRACTING CLASSIFICATIONS AT, OR WITH RESPECT TO EVENTS HELD AT, A MAJOR
42 LEAGUE BASEBALL FACILITY OR AN ADJACENT BUILDING THAT IS OWNED BY A COUNTY
43 STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26 AND OPERATED BY THE
44 COUNTY STADIUM DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE

1 ORGANIZATION THAT OCCUPIES THE MAJOR LEAGUE BASEBALL FACILITY OR ADJACENT
2 BUILDING.

3 C. FOR THE PURPOSES OF THIS SECTION, "ADJACENT BUILDING" AND "MAJOR
4 LEAGUE BASEBALL FACILITY" HAVE THE SAME MEANINGS PRESCRIBED IN SECTION
5 48-4201.

6 Sec. 8. Delayed repeal

7 Section 42-5032.03, Arizona Revised Statutes, as added by this act,
8 is repealed from and after March 31, 2056.

9 Sec. 9. Section 42-5061, Arizona Revised Statutes, is amended to
10 read:

11 42-5061. Retail classification; definitions

12 A. The retail classification is comprised of the business of
13 selling tangible personal property at retail. The tax base for the retail
14 classification is the gross proceeds of sales or gross income derived from
15 the business. The tax imposed on the retail classification does not apply
16 to the gross proceeds of sales or gross income from:

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

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

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

25 4. Sales of tangible personal property by any nonprofit
26 organization organized and operated exclusively for charitable purposes
27 and recognized by the United States internal revenue service under section
28 501(c)(3) of the internal revenue code.

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

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

34 7. The sale of stocks and bonds.

35 8. Drugs and medical oxygen, including delivery hose, mask or tent,
36 regulator and tank, if prescribed by a member of the medical, dental or
37 veterinarian profession who is licensed by law to administer such
38 substances.

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

42 10. Insulin, insulin syringes and glucose test strips.

43 11. Prescription eyeglasses or contact lenses.

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

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

8 14. Sales of motor vehicles to nonresidents of this state for use
9 outside this state if either of the following applies:

10 (a) The motor vehicle dealer ships or delivers the motor vehicle to
11 a destination out of this state.

12 (b) The vehicle, trailer or semitrailer has a gross vehicle weight
13 rating of more than ten thousand pounds, is used or maintained to
14 transport property in the furtherance of interstate commerce and otherwise
15 meets the definition of commercial motor vehicle as defined in section
16 28-5201.

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

19 16. Items purchased with United States department of agriculture
20 coupons issued under the supplemental nutrition assistance program
21 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;
22 7 United States Code sections 2011 through 2036b) by the United States
23 department of agriculture food and nutrition service or food instruments
24 issued under section 17 of the child nutrition act (P.L. 95-627;
25 92 Stat. 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States
26 Code section 1786).

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

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

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

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

40 21. The sale of cash equivalents and the sale of precious metal
41 bullion and monetized bullion to the ultimate consumer, but the sale of
42 coins or other forms of money for manufacture into jewelry or works of art
43 is subject to the tax and the gross proceeds of sales or gross income
44 derived from the redemption of any cash equivalent by the holder as a

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

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

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

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

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

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

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

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

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

38 25. Tangible personal property sold to:

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

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

1 (c) A qualifying health care organization as defined in section
2 42-5001 if the organization is dedicated to providing educational,
3 therapeutic, rehabilitative and family medical education training for
4 blind and visually impaired children and children with multiple
5 disabilities from the time of birth to age twenty-one.

6 (d) A qualifying community health center as defined in section
7 42-5001.

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

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

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

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

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

27 27. Tangible personal property sold to:

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

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

36 (ii) Incorporated or fabricated by the person into any project
37 described in section 42-5075, subsection ~~⊖~~ P.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18 42. Sales of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

40 (b) "Curriculum design or enhancement" means planning, implementing
41 or reporting on courses of study, lessons, assignments or other learning
42 activities.

43 54. Sales of motor vehicle fuel and use fuel to a qualified
44 business under section 41-1516 for off-road use in harvesting, processing

1 or transporting qualifying forest products removed from qualifying
2 projects as defined in section 41-1516.

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

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

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

18 58. Sales of tangible personal property incorporated or fabricated
19 into a project described in section 42-5075, subsection ~~P~~ P, that is
20 located within the exterior boundaries of an Indian reservation for which
21 the owner, as defined in section 42-5075, of the project is an Indian
22 tribe or an affiliated Indian. For the purposes of this paragraph:

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

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

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

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

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

43 B. In addition to the deductions from the tax base prescribed by
44 subsection A of this section, the gross proceeds of sales or gross income

1 derived from sales of the following categories of tangible personal
2 property shall be deducted from the tax base:

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

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

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

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

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

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

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

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

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

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

5 8. Aircraft, navigational and communication instruments and other
6 accessories and related equipment sold to:

7 (a) A person:

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

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

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

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

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

35 (b) Any foreign government.

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

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

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

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

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

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

19 14. Machinery and equipment consisting of agricultural aircraft,
20 tractors, off-highway vehicles, tractor-drawn implements, self-powered
21 implements, machinery and equipment necessary for extracting milk, and
22 machinery and equipment necessary for cooling milk and livestock, and drip
23 irrigation lines not already exempt under paragraph 7 of this subsection
24 and that are used for commercial production of agricultural,
25 horticultural, viticultural and floricultural crops and products in this
26 state. For the purposes of this paragraph:

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

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

35 15. Machinery or equipment used in research and development. For
36 the purposes of this paragraph, "research and development" means basic and
37 applied research in the sciences and engineering, and designing,
38 developing or testing prototypes, processes or new products, including
39 research and development of computer software that is embedded in or an
40 integral part of the prototype or new product or that is required for
41 machinery or equipment otherwise exempt under this section to function
42 effectively. Research and development do not include manufacturing
43 quality control, routine consumer product testing, market research, sales
44 promotion, sales service, research in social sciences or psychology,
45 computer software research that is not included in the definition of

1 research and development, or other nontechnological activities or
2 technical services.

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

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

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

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

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

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

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

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

41 18. Machinery and equipment used directly in feeding poultry,
42 environmentally controlling housing for poultry, moving eggs within a
43 production and packaging facility or sorting or cooling eggs. This
44 exemption does not apply to vehicles used for transporting eggs.

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

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

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

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

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

33 (c) Any machinery or equipment purchased after the television
34 station has ceased analog broadcasting, or purchased after November 1,
35 2009, whichever occurs first.

36 22. Qualifying equipment that is purchased from and after June 30,
37 2004 through December 31, 2026 by a qualified business under section
38 41-1516 for harvesting or processing qualifying forest products removed
39 from qualifying projects as defined in section 41-1516. To qualify for
40 this deduction, the qualified business at the time of purchase must
41 present its certification approved by the department.

42 23. Computer data center equipment sold to the owner, operator or
43 qualified colocation tenant of a computer data center that is certified by
44 the Arizona commerce authority under section 41-1519 or an authorized
45 agent of the owner, operator or qualified colocation tenant during the

1 qualification period for use in the qualified computer data center. For
2 the purposes of this paragraph, "computer data center", "computer data
3 center equipment", "qualification period" and "qualified colocation
4 tenant" have the same meanings prescribed in section 41-1519.

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

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

11 2. Janitorial equipment and hand tools.

12 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

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

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

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

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

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

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

16 2. Businesses classified under the:

17 (a) Transporting classification.

18 (b) Utilities classification.

19 (c) Telecommunications classification.

20 (d) Pipeline classification.

21 (e) Private car line classification.

22 (f) Publication classification.

23 (g) Job printing classification.

24 (h) Prime contracting classification.

25 (i) Restaurant classification.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

40 U. FOR THE PURPOSES OF SECTION 42-5032.03 AND SUBJECT TO SECTION
41 48-4238, BEGINNING THE FIRST DAY OF THE MONTH FOLLOWING THE EFFECTIVE DATE
42 OF THIS AMENDMENT TO THIS SECTION AND EACH MONTH THEREAFTER THROUGH
43 DECEMBER 31, 2055, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES
44 COLLECTED UNDER THE RETAIL CLASSIFICATION FROM EACH BUSINESS SELLING
45 TANGIBLE PERSONAL PROPERTY AT RETAIL ON THE PREMISES OF A MAJOR LEAGUE

1 BASEBALL FACILITY OR AN ADJACENT BUILDING THAT IS OWNED BY A COUNTY
2 STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26 AND OPERATED BY THE
3 COUNTY STADIUM DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
4 ORGANIZATION THAT OCCUPIES THE MAJOR LEAGUE BASEBALL FACILITY OR ADJACENT
5 BUILDING. FOR THE PURPOSES OF THIS SUBSECTION, "ADJACENT BUILDING" AND
6 "MAJOR LEAGUE BASEBALL FACILITY" HAVE THE SAME MEANINGS PRESCRIBED IN
7 SECTION 48-4201.

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

21 ~~W.~~ W. For the purposes of this section:

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

25 2. "Aircraft" includes:

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

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

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

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

41 ~~W.~~ X. For the purposes of subsection I of this section:

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

1 2. "Manufacturer" means a person who is principally engaged in
2 fabricating, producing or manufacturing products, wares or articles for
3 use from raw or prepared materials, imparting to those materials new
4 forms, qualities, properties and combinations.

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

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

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

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

26 Sec. 10. Section 42-5073, Arizona Revised Statutes, is amended to
27 read:

28 42-5073. Amusement classification

29 A. The amusement classification is comprised of the business of
30 operating or conducting theaters, movies, operas, shows of any type or
31 nature, exhibitions, concerts, carnivals, circuses, amusement parks,
32 menageries, fairs, races, contests, games, billiard or pool parlors,
33 bowling alleys, public dances, dance halls, boxing and wrestling matches,
34 skating rinks, tennis courts, except as provided in subsection B of this
35 section, video games, pinball machines or sports events or any other
36 business charging admission or user fees for exhibition, amusement or
37 entertainment, including the operation or sponsorship of events by a
38 tourism and sports authority under title 5, chapter 8. For the purposes
39 of this section, admission or user fees include, but are not limited to,
40 any revenues derived from any form of contractual agreement for rights to
41 or use of premium or special seating facilities or arrangements. The
42 amusement classification does not include:

43 1. Activities or projects of bona fide religious or educational
44 institutions.

1 2. Private or group instructional activities. For the purposes of
2 this paragraph, "private or group instructional activities" includes, but
3 is not limited to, performing arts, martial arts, gymnastics and aerobic
4 instruction.

5 3. The operation or sponsorship of events by the Arizona exposition
6 and state fair board or county fair commissions.

7 4. A musical, dramatic or dance group or a botanical garden, museum
8 or zoo that is qualified as a nonprofit charitable organization under
9 section 501(c)(3) of the United States internal revenue code if no part of
10 its net income inures to the benefit of any private shareholder or
11 individual.

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

25 6. Operating or sponsoring rodeos that feature primarily farm and
26 ranch animals in this state and that are sponsored, conducted or operated
27 by a nonprofit organization that is exempt from taxation under section
28 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the internal
29 revenue code if no part of the organization's net earnings inures to the
30 benefit of any private shareholder or individual.

31 7. Sales of admissions to intercollegiate football contests if the
32 contests are both:

33 (a) Operated by a nonprofit organization that is exempt from
34 taxation under section 501(c)(3) of the internal revenue code and no part
35 of the organization's net earnings inures to the benefit of any private
36 shareholder or individual.

37 (b) Not held in a multipurpose facility that is owned or operated
38 by the tourism and sports authority pursuant to title 5, chapter 8.

39 8. Activities and events of, or fees and assessments received by, a
40 homeowners organization from persons who are members of the organization
41 or accompanied guests of members. For the purposes of this paragraph,
42 "homeowners organization" means a mandatory membership organization
43 comprised of owners of residential property within a specified residential
44 real estate subdivision development or similar area and established to own
45 property for the benefit of its members where both of the following apply:

1 (a) No part of the organization's net earnings inures to the
2 benefit of any private shareholder or individual.

3 (b) The primary purpose of the organization is to provide for the
4 acquisition, construction, management, maintenance or care of organization
5 property.

6 9. Activities and events of, or fees received by, a nonprofit
7 organization that is exempt from taxation under section 501(c)(6) of the
8 internal revenue code if the organization produces, organizes or promotes
9 cultural or civic related festivals or events and no part of the
10 organization's net earnings inures to the benefit of any private
11 shareholder or individual.

12 10. Arranging an amusement activity as a service to a person's
13 customers if that person is not otherwise engaged in the business of
14 operating or conducting an amusement personally or through others. This
15 exception does not apply to businesses that operate or conduct amusements
16 pursuant to customer orders and send the billings and receive the payments
17 associated with that activity, including when the amusement is performed
18 by third-party independent contractors. For the purposes of this
19 paragraph, "arranging" includes billing for or collecting amusement
20 charges from a person's customers on behalf of the persons providing the
21 amusement.

22 B. The tax base for the amusement classification is the gross
23 proceeds of sales or gross income derived from the business, except that
24 the following shall be deducted from the tax base:

25 1. The gross proceeds of sales or gross income derived from
26 memberships, including initiation fees, that provide for the right to use
27 a health or fitness establishment or a private recreational establishment,
28 or any portion of an establishment, including tennis and other racquet
29 courts at that establishment, for participatory purposes for twenty-eight
30 days or more and fees charged for use of the health or fitness
31 establishment or private recreational establishment by bona fide
32 accompanied guests of members, except that this paragraph does not include
33 additional fees, other than initiation fees, charged by a health or
34 fitness establishment or a private recreational establishment for purposes
35 other than memberships that provide for the right to use a health or
36 fitness establishment or private recreational establishment, or any
37 portion of an establishment, for participatory purposes for twenty-eight
38 days or more and accompanied guest use fees.

39 2. Amounts that are exempt under section 5-111, subsection G.

40 3. The gross proceeds of sales or gross income derived from
41 membership fees, including initiation fees, that provide for the right to
42 use a transient lodging recreational establishment, including golf courses
43 and tennis and other racquet courts at that establishment, for
44 participatory purposes for twenty-eight days or more, except that this
45 paragraph does not include additional fees, other than initiation fees,

1 that are charged by a transient lodging recreational establishment for
2 purposes other than memberships and that provide for the right to use a
3 transient lodging recreational establishment or any portion of the
4 establishment for participatory purposes for twenty-eight days or more.

5 4. The gross proceeds of sales or gross income derived from sales
6 to persons engaged in the business of transient lodging classified under
7 section 42-5070, if all of the following apply:

8 (a) The persons who are engaged in the transient lodging business
9 sell the amusement to another person for consideration.

10 (b) The consideration received by the transient lodging business is
11 equal to or greater than the amount to be deducted under this subsection.

12 (c) The transient lodging business has provided an exemption
13 certificate to the person engaging in business under this section.

14 5. The gross proceeds of sales or gross income derived from:

15 (a) Business activity that is properly included in any other
16 business classification under this article and that is taxable to the
17 person engaged in that classification, but the gross proceeds of sales or
18 gross income to be deducted shall not exceed the consideration paid to the
19 person conducting the activity.

20 (b) Business activity that is arranged by the person who is subject
21 to tax under this section and that is not taxable to the person conducting
22 the activity due to an exclusion, exemption or deduction under this
23 section or section 42-5062, but the gross proceeds of sales or gross
24 income to be deducted shall not exceed the consideration paid to the
25 person conducting the activity.

26 (c) Business activity that is arranged by a person who is subject
27 to tax under this section and that is taxable to another person under this
28 section who conducts the activity, but the gross proceeds of sales or
29 gross income to be deducted shall not exceed the consideration paid to the
30 person conducting the activity.

31 6. The gross proceeds of sales or gross income derived from entry
32 fees paid by participants for events that either:

33 (a) Until March 1, 2017, consist of a run, walk, swim or bicycle
34 ride or a similar event, or any combination of these events.

35 (b) Are operated or conducted by nonprofit organizations that are
36 exempt from taxation under section 501(c)(3) of the internal revenue code
37 and of which no part of the organization's net earnings inures to the
38 benefit of any private shareholder or individual, if the event consists of
39 a run, walk, swim or bicycle ride or a similar event, or any combination
40 of these events.

41 C. For the purposes of subsection B of this section:

42 1. "Health or fitness establishment" means a facility whose primary
43 purpose is to provide facilities, equipment, instruction or education to
44 promote the health and fitness of its members and at least eighty percent
45 of the monthly gross revenue of the facility is received through accounts

1 of memberships and accompanied guest use fees that provide for the right
2 to use the facility, or any portion of the facility, under the terms of
3 the membership agreement for participatory purposes for twenty-eight days
4 or more.

5 2. "Private recreational establishment" means a facility whose
6 primary purpose is to provide recreational facilities, such as tennis,
7 golf and swimming, for its members and where at least eighty percent of
8 the monthly gross revenue of the facility is received through accounts of
9 memberships and accompanied guest use fees that provide for the right to
10 use the facility, or any portion of the facility, for participatory
11 purposes for twenty-eight days or more.

12 3. "Transient lodging recreational establishment" means a facility
13 whose primary purpose is to provide facilities for transient lodging, that
14 is subject to taxation under this chapter and that also provides
15 recreational facilities, such as tennis, golf and swimming, for members
16 for a period of twenty-eight days or more.

17 D. Until December 31, 1988, the revenues from hayrides and other
18 animal-drawn amusement rides, from horseback riding and riding instruction
19 and from recreational tours using motor vehicles designed to operate on
20 and off public highways are exempt from the tax imposed by this section.
21 Beginning January 1, 1989, the gross proceeds or gross income from
22 hayrides and other animal-drawn amusement rides, from horseback riding and
23 from recreational tours using motor vehicles designed to operate on and
24 off public highways are subject to taxation under this section. Tax
25 liabilities, penalties and interest paid for taxable periods before
26 January 1, 1989 shall not be refunded unless the taxpayer requesting the
27 refund provides proof satisfactory to the department that the taxes will
28 be returned to the customer.

29 E. If a person is engaged in the business of offering both
30 exhibition, amusement or entertainment and private or group instructional
31 activities, the person's books shall be kept to show separately the gross
32 income from exhibition, amusement or entertainment and the gross income
33 from instructional activities. If the books do not provide this separate
34 accounting, the tax is imposed on the person's total gross income from the
35 business.

36 F. The department shall separately account for revenues collected
37 under the amusement classification for the purposes of section 42-5029,
38 subsection D, paragraph 4, subdivision (b).

39 G. For the purposes of section 42-5032.01, the department shall
40 separately account for revenues collected under the amusement
41 classification from sales of admissions to:

42 1. Events that are held in a multipurpose facility that is owned or
43 operated by the tourism and sports authority pursuant to title 5, chapter
44 8, including intercollegiate football contests that are operated by a

1 nonprofit organization that is exempt from taxation under section
2 501(c)(3) of the internal revenue code.

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

6 H. FOR THE PURPOSES OF SECTION 42-5032.03 AND SUBJECT TO SECTION
7 48-4238, BEGINNING THE FIRST DAY OF THE MONTH FOLLOWING THE EFFECTIVE DATE
8 OF THIS AMENDMENT TO THIS SECTION AND EACH MONTH THEREAFTER THROUGH
9 DECEMBER 31, 2055, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES
10 COLLECTED UNDER THE AMUSEMENT CLASSIFICATION FROM THE SALES OF ADMISSIONS
11 TO A MAJOR LEAGUE BASEBALL FACILITY THAT IS OWNED BY A COUNTY STADIUM
12 DISTRICT PURSUANT TO TITLE 48, CHAPTER 26 AND OPERATED BY THE COUNTY
13 STADIUM DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT
14 OCCUPIES THE MAJOR LEAGUE BASEBALL FACILITY. FOR THE PURPOSES OF THIS
15 SUBSECTION, "MAJOR LEAGUE BASEBALL FACILITY" HAS THE SAME MEANING
16 PRESCRIBED IN SECTION 48-4201.

17 Sec. 11. Section 42-5074, Arizona Revised Statutes, is amended to
18 read:

19 42-5074. Restaurant classification

20 A. The restaurant classification is comprised of the business of
21 operating restaurants, dining cars, dining rooms, lunchrooms, mobile food
22 units, lunch stands, soda fountains, catering services or similar
23 establishments where articles of food or drink are sold for consumption on
24 or off the premises.

25 B. The tax base for the restaurant classification is the gross
26 proceeds of sales or gross income derived from the business. The gross
27 proceeds of sales or gross income derived from the following shall be
28 deducted from the tax base:

29 1. Sales to a person engaged in business classified under the
30 restaurant classification if the items sold are to be resold in the
31 regular course of the business.

32 2. Sales by a congressionally chartered veterans organization of
33 food or drink prepared for consumption on the premises leased, owned or
34 maintained by the organization.

35 3. Sales by churches, fraternal benefit societies and other
36 nonprofit organizations, as these organizations are defined in the federal
37 internal revenue code (26 United States Code section 501), that do not
38 regularly engage or continue in the restaurant business for the purpose of
39 fund-raising.

40 4. Sales by a nonprofit organization that is exempt from taxation
41 under section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue
42 code if the organization is associated with a major league baseball team
43 or a national touring professional golfing association and no part of the
44 organization's net earnings inures to the benefit of any private
45 shareholder or individual. This paragraph does not apply to an

1 organization that is owned, managed or controlled, in whole or in part, by
2 a major league baseball team, or its owners, officers, employees or
3 agents, or by a major league baseball association or professional golfing
4 association, or its owners, officers, employees or agents, unless the
5 organization conducted or operated exhibition events in this state before
6 January 1, 2018 that were exempt from taxation under section 42-5073.

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

12 6. Sales by any nonprofit organization organized and operated
13 exclusively for charitable purposes and recognized by the United States
14 internal revenue service under section 501(c)(3) of the internal revenue
15 code.

16 7. Sales to qualifying hospitals as defined in section 42-5001.

17 8. Sales to a qualifying health care organization as defined in
18 section 42-5001 if the tangible personal property is used by the
19 organization solely to provide health and medical related educational and
20 charitable services.

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

25 10. Sales of articles of prepared or unprepared food, drink or
26 condiment and accessory tangible personal property to a school district or
27 charter school if the articles and accessory tangible personal property
28 are served to persons for consumption on the premises of a public school
29 in the school district or charter school during school hours.

30 11. Prepared food, drink or condiment donated by a restaurant to a
31 nonprofit charitable organization that has qualified under section
32 501(c)(3) of the internal revenue code and that regularly serves meals to
33 the needy and indigent on a continuing basis at no cost.

34 12. Sales of articles of food and drink at low or reduced prices to
35 eligible elderly or homeless persons or persons with a disability by a
36 restaurant that contracts with the department of economic security and
37 that is approved by the food and nutrition services of the United States
38 department of agriculture pursuant to the supplemental nutrition
39 assistance program established by the food and nutrition act of 2008
40 (P.L. 110-246; 122 Stat. 1651; 7 United States Code sections 2011 through
41 2036a), if the purchases of the articles of food and drink are made with
42 the benefits issued pursuant to the supplemental nutrition assistance
43 program.

1 C. The tax imposed on the restaurant classification pursuant to
2 this section does not apply to the gross proceeds of sales or gross income
3 from tangible personal property sold to a commercial airline consisting of
4 food, beverages and condiments and accessories used for serving the food
5 and beverages, if those items are to be provided without additional charge
6 to passengers for consumption in flight. For the purposes of this
7 subsection, "commercial airline" means a person holding a federal
8 certificate of public convenience and necessity or foreign air carrier
9 permit for air transportation to transport persons, property or United
10 States mail in intrastate, interstate or foreign commerce.

11 D. The department shall separately account for revenues collected
12 under the restaurant classification for the purposes of section 42-5029,
13 subsection D, paragraph 4, subdivision (b).

14 E. For the purposes of section 42-5032.01, the department shall
15 separately account for revenues collected under the restaurant
16 classification from businesses operating restaurants, dining rooms,
17 lunchrooms, lunch stands, soda fountains, catering services or similar
18 establishments:

19 1. On the premises of a multipurpose facility that is owned or
20 operated by the tourism and sports authority pursuant to title 5, chapter
21 8 for consumption on or off the premises.

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

25 F. FOR THE PURPOSES OF SECTION 42-5032.03 AND SUBJECT TO SECTION
26 48-4238, BEGINNING THE FIRST DAY OF THE MONTH FOLLOWING THE EFFECTIVE DATE
27 OF THIS AMENDMENT TO THIS SECTION AND EACH MONTH THEREAFTER THROUGH
28 DECEMBER 31, 2055, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES
29 COLLECTED UNDER THE RESTAURANT CLASSIFICATION FROM BUSINESSES OPERATING
30 RESTAURANTS, DINING ROOMS, LUNCHROOMS, LUNCH STANDS, SODA FOUNTAINS,
31 CATERING SERVICES OR SIMILAR ESTABLISHMENTS ON THE PREMISES OF A MAJOR
32 LEAGUE BASEBALL FACILITY OR AN ADJACENT BUILDING THAT IS OWNED BY A COUNTY
33 STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26 AND OPERATED BY THE
34 COUNTY STADIUM DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
35 ORGANIZATION THAT OCCUPIES THE MAJOR LEAGUE BASEBALL FACILITY OR ADJACENT
36 BUILDING. FOR THE PURPOSES OF THIS SUBSECTION, "ADJACENT BUILDING" AND
37 "MAJOR LEAGUE BASEBALL FACILITY" HAVE THE SAME MEANINGS PRESCRIBED IN
38 SECTION 48-4201.

39 Sec. 12. Section 42-5075, Arizona Revised Statutes, is amended to
40 read:

41 42-5075. Prime contracting classification; exemptions;
42 definitions

43 A. The prime contracting classification is comprised of the
44 business of prime contracting and the business of manufactured building
45 dealer. Sales for resale to another manufactured building dealer are not

1 subject to tax. Sales for resale do not include sales to a lessor of
2 manufactured buildings. The sale of a used manufactured building is not
3 taxable under this chapter. The prime contracting classification does not
4 include any work or operation performed by a person that is not required
5 to be licensed by the registrar of contractors pursuant to section
6 32-1121.

7 B. The tax base for the prime contracting classification is
8 sixty-five percent of the gross proceeds of sales or gross income derived
9 from the business. The following amounts shall be deducted from the gross
10 proceeds of sales or gross income before computing the tax base:

11 1. The sales price of land, which shall not exceed the fair market
12 value.

13 2. Sales and installation of groundwater measuring devices required
14 under section 45-604 and groundwater monitoring wells required by law,
15 including monitoring wells installed for acquiring information for a
16 permit required by law.

17 3. The sales price of furniture, furnishings, fixtures, appliances
18 and attachments that are not incorporated as component parts of or
19 attached to a manufactured building or the setup site. The sale of such
20 items may be subject to the taxes imposed by article 1 of this chapter
21 separately and distinctly from the sale of the manufactured building.

22 4. The gross proceeds of sales or gross income received from a
23 contract entered into for the modification of any building, highway, road,
24 railroad, excavation, manufactured building or other structure, project,
25 development or improvement located in a military reuse zone for providing
26 aviation or aerospace services or for a manufacturer, assembler or
27 fabricator of aviation or aerospace products within an active military
28 reuse zone after the zone is initially established or renewed under
29 section 42-1301. To be eligible to qualify for this deduction, before
30 beginning work under the contract, the prime contractor must have applied
31 for a letter of qualification from the department of revenue.

32 5. The gross proceeds of sales or gross income derived from a
33 contract to construct a qualified environmental technology manufacturing,
34 producing or processing facility, as described in section 41-1514.02, and
35 from subsequent construction and installation contracts that begin within
36 ten years after the start of initial construction. To qualify for this
37 deduction, before beginning work under the contract, the prime contractor
38 must obtain a letter of qualification from the department of revenue. This
39 paragraph shall apply for ten full consecutive calendar or fiscal years
40 after the start of initial construction.

41 6. The gross proceeds of sales or gross income from a contract to
42 provide for one or more of the following actions, or a contract for site
43 preparation, constructing, furnishing or installing machinery, equipment
44 or other tangible personal property, including structures necessary to
45 protect exempt incorporated materials or installed machinery or equipment,

1 and tangible personal property incorporated into the project, to perform
2 one or more of the following actions in response to a release or suspected
3 release of a hazardous substance, pollutant or contaminant from a facility
4 to the environment, unless the release was authorized by a permit issued
5 by a governmental authority:

6 (a) Actions to monitor, assess and evaluate such a release or a
7 suspected release.

8 (b) Excavation, removal and transportation of contaminated soil and
9 its treatment or disposal.

10 (c) Treatment of contaminated soil by vapor extraction, chemical or
11 physical stabilization, soil washing or biological treatment to reduce the
12 concentration, toxicity or mobility of a contaminant.

13 (d) Pumping and treatment or in situ treatment of contaminated
14 groundwater or surface water to reduce the concentration or toxicity of a
15 contaminant.

16 (e) The installation of structures, such as cutoff walls or caps,
17 to contain contaminants present in groundwater or soil and prevent them
18 from reaching a location where they could threaten human health or welfare
19 or the environment.

20 This paragraph does not include asbestos removal or the construction or
21 use of ancillary structures such as maintenance sheds, offices or storage
22 facilities for unattached equipment, pollution control equipment,
23 facilities or other control items required or to be used by a person to
24 prevent or control contamination before it reaches the environment.

25 7. The gross proceeds of sales or gross income that is derived from
26 a contract for the installation, assembly, repair or maintenance of
27 machinery, equipment or other tangible personal property that is either
28 deducted from the tax base of the retail classification under section
29 42-5061, subsection B or that is exempt from use tax under section
30 42-5159, subsection B and that has independent functional utility,
31 pursuant to the following provisions:

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

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

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

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

44 (b) The deduction provided in this paragraph does not include gross
45 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 that is either deducted from the tax base of the retail
5 classification under section 42-5061, subsection B or exempt from use tax
6 under section 42-5159, subsection B.

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

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

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

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

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

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

25 8. The gross proceeds of sales or gross income attributable to the
26 purchase of machinery, equipment or other tangible personal property that
27 is exempt from or deductible from transaction privilege and use tax under:

28 (a) Section 42-5061, subsection A, paragraph 25, 29 or 58.

29 (b) Section 42-5061, subsection B.

30 (c) Section 42-5159, subsection A, paragraph 13, subdivision (a),
31 (b), (c), (d), (e), (f), (j), (k), (m) or (n) or paragraph 55.

32 (d) Section 42-5159, subsection B.

33 9. The gross proceeds of sales or gross income received from a
34 contract for the construction of an environmentally controlled facility
35 for the raising of poultry for the production of eggs and the sorting,
36 cooling and packaging of eggs.

37 10. The gross proceeds of sales or gross income that is derived
38 from a contract entered into with a person who is engaged in the
39 commercial production of livestock, livestock products or agricultural,
40 horticultural, viticultural or floricultural crops or products in this
41 state for the modification of any building, highway, road, excavation,
42 manufactured building or other structure, project, development or
43 improvement used directly and primarily to prevent, monitor, control or
44 reduce air, water or land pollution.

1 11. The gross proceeds of sales or gross income that is derived
2 from the installation, assembly, repair or maintenance of clean rooms that
3 are deducted from the tax base of the retail classification pursuant to
4 section 42-5061, subsection B, paragraph 17.

5 12. For taxable periods beginning from and after June 30, 2001, the
6 gross proceeds of sales or gross income derived from a contract entered
7 into for the construction of a residential apartment housing facility that
8 qualifies for a federal housing subsidy for low-income persons over
9 sixty-two years of age and that is owned by a nonprofit charitable
10 organization that has qualified under section 501(c)(3) of the internal
11 revenue code.

12 13. For taxable periods beginning from and after December 31, 1996
13 and ending before January 1, 2017, the gross proceeds of sales or gross
14 income derived from a contract to provide and install a solar energy
15 device. The contractor shall register with the department as a solar
16 energy contractor. By registering, the contractor acknowledges that it
17 will make its books and records relating to sales of solar energy devices
18 available to the department for examination.

19 14. The gross proceeds of sales or gross income derived from a
20 contract entered into for the construction of a launch site, as defined in
21 14 Code of Federal Regulations section 401.5.

22 15. The gross proceeds of sales or gross income derived from a
23 contract entered into for the construction of a domestic violence shelter
24 that is owned and operated by a nonprofit charitable organization that has
25 qualified under section 501(c)(3) of the internal revenue code.

26 16. The gross proceeds of sales or gross income derived from
27 contracts to perform postconstruction treatment of real property for
28 termite and general pest control, including wood-destroying organisms.

29 17. The gross proceeds of sales or gross income received from
30 contracts entered into before July 1, 2006 for constructing a state
31 university research infrastructure project if the project has been
32 reviewed by the joint committee on capital review before the university
33 enters into the construction contract for the project. For the purposes
34 of this paragraph, "research infrastructure" has the same meaning
35 prescribed in section 15-1670.

36 18. The gross proceeds of sales or gross income received from a
37 contract for the construction of any building, or other structure,
38 project, development or improvement owned by a qualified business under
39 section 41-1516 for harvesting or processing qualifying forest products
40 removed from qualifying projects as defined in section 41-1516 if actual
41 construction begins before January 1, 2024. To qualify for this
42 deduction, the prime contractor must obtain a letter of qualification from
43 the Arizona commerce authority before beginning work under the contract.

1 19. Any amount of the gross proceeds of sales or gross income
2 attributable to development fees that are incurred in relation to a
3 contract for construction, development or improvement of real property and
4 that are paid by a prime contractor or subcontractor. For the purposes of
5 this paragraph:

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

8 (b) The attributable amount is equal to the total amount of
9 development fees paid by the prime contractor or subcontractor, and the
10 total development fees credited in exchange for the construction of,
11 contribution to or dedication of real property for providing public
12 infrastructure, public safety or other public services necessary to the
13 development. The real property must be the subject of the development
14 fees.

15 (c) "Development fees" means fees imposed to offset capital costs
16 of providing public infrastructure, public safety or other public services
17 to a development and authorized pursuant to section 9-463.05, section
18 11-1102 or title 48 regardless of the jurisdiction to which the fees are
19 paid.

20 20. The gross proceeds of sales or gross income derived from a
21 contract entered into for the construction of a mixed waste processing
22 facility that is located on a municipal solid waste landfill and that is
23 constructed for the purpose of recycling solid waste or producing
24 renewable energy from landfill waste. For the purposes of this paragraph:

25 (a) "Mixed waste processing facility" means a solid waste facility
26 that is owned, operated or used for the treatment, processing or disposal
27 of solid waste, recyclable solid waste, very small quantity generator
28 waste or household hazardous waste. For the purposes of this subdivision,
29 "very small quantity generator waste", "household hazardous waste" and
30 "solid waste facility" have the same meanings prescribed in section
31 49-701, except that solid waste facility does include a site that stores,
32 treats or processes paper, glass, wood, cardboard, household textiles,
33 scrap metal, plastic, vegetative waste, aluminum, steel or other
34 recyclable material.

35 (b) "Municipal solid waste landfill" has the same meaning
36 prescribed in section 49-701.

37 (c) "Recycling" means collecting, separating, cleansing, treating
38 and reconstituting recyclable solid waste that would otherwise become
39 solid waste, but does not include incineration or other similar processes.

40 (d) "Renewable energy" means usable energy, including electricity,
41 fuels, gas and heat, produced through the conversion of energy provided by
42 sunlight, water, wind, geothermal, heat, biomass, biogas, landfill gas or
43 another nonfossil renewable resource.

44 21. The gross proceeds of sales or gross income derived from a
45 contract to install containment structures. For the purposes of this

1 paragraph, "containment structure" means a structure that prevents,
2 monitors, controls or reduces noxious or harmful discharge into the
3 environment.

4 C. Entitlement to the deduction pursuant to subsection B, paragraph
5 7 of this section is subject to the following provisions:

6 1. A prime contractor may establish entitlement to the deduction by
7 both:

8 (a) Marking the invoice for the transaction to indicate that the
9 gross proceeds of sales or gross income derived from the transaction was
10 deducted from the base.

11 (b) Obtaining a certificate executed by the purchaser indicating
12 the name and address of the purchaser, the precise nature of the business
13 of the purchaser, the purpose for which the purchase was made, the
14 necessary facts to establish the deductibility of the property under
15 section 42-5061, subsection B, and a certification that the person
16 executing the certificate is authorized to do so on behalf of the
17 purchaser. The certificate may be disregarded if the prime contractor has
18 reason to believe that the information contained in the certificate is not
19 accurate or complete.

20 2. A person who does not comply with paragraph 1 of this subsection
21 may establish entitlement to the deduction by presenting facts necessary
22 to support the entitlement, but the burden of proof is on that person.

23 3. The department may prescribe a form for the certificate
24 described in paragraph 1, subdivision (b) of this subsection. The
25 department may also adopt rules that describe the transactions with
26 respect to which a person is not entitled to rely solely on the
27 information contained in the certificate provided in paragraph 1,
28 subdivision (b) of this subsection but must instead obtain such additional
29 information as required in order to be entitled to the deduction.

30 4. If a prime contractor is entitled to a deduction by complying
31 with paragraph 1 of this subsection, the department may require the
32 purchaser who caused the execution of the certificate to establish the
33 accuracy and completeness of the information required to be contained in
34 the certificate that would entitle the prime contractor to the deduction.
35 If the purchaser cannot establish the accuracy and completeness of the
36 information, the purchaser is liable in an amount equal to any tax,
37 penalty and interest that the prime contractor would have been required to
38 pay under article 1 of this chapter if the prime contractor had not
39 complied with paragraph 1 of this subsection. Payment of the amount under
40 this paragraph exempts the purchaser from liability for any tax imposed
41 under article 4 of this chapter. The amount shall be treated as a
42 transaction privilege tax to the purchaser and as tax revenues collected
43 from the prime contractor in order to designate the distribution base for
44 purposes of section 42-5029.

1 D. Subcontractors or others who perform modification activities are
2 not subject to tax if they can demonstrate that the job was within the
3 control of a prime contractor or contractors or a dealership of
4 manufactured buildings and that the prime contractor or dealership is
5 liable for the tax on the gross income, gross proceeds of sales or gross
6 receipts attributable to the job and from which the subcontractors or
7 others were paid.

8 E. Amounts received by a contractor for a project are excluded from
9 the contractor's gross proceeds of sales or gross income derived from the
10 business if the person who hired the contractor executes and provides a
11 certificate to the contractor stating that the person providing the
12 certificate is a prime contractor and is liable for the tax under article
13 1 of this chapter. The department shall prescribe the form of the
14 certificate. If the contractor has reason to believe that the information
15 contained on the certificate is erroneous or incomplete, the department
16 may disregard the certificate. If the person who provides the certificate
17 is not liable for the tax as a prime contractor, that person is
18 nevertheless deemed to be the prime contractor in lieu of the contractor
19 and is subject to the tax under this section on the gross receipts or
20 gross proceeds received by the contractor.

21 F. Every person engaging or continuing in this state in the
22 business of prime contracting or dealership of manufactured buildings
23 shall present to the purchaser of such prime contracting or manufactured
24 building a written receipt of the gross income or gross proceeds of sales
25 from such activity and shall separately state the taxes to be paid
26 pursuant to this section.

27 G. For the purposes of section 42-5032.01, the department shall
28 separately account for revenues collected under the prime contracting
29 classification from any prime contractor engaged in the preparation or
30 construction of a multipurpose facility, and related infrastructure, that
31 is owned, operated or leased by the tourism and sports authority pursuant
32 to title 5, chapter 8.

33 H. For the purposes of section 42-5032.02, from and after
34 September 30, 2013, the department shall separately account for revenues
35 reported and collected under the prime contracting classification from any
36 prime contractor engaged in the construction of any buildings and
37 associated improvements that are for the benefit of a manufacturing
38 facility. For the purposes of this subsection, "associated improvements"
39 and "manufacturing facility" have the same meanings prescribed in section
40 42-5032.02.

41 I. FOR THE PURPOSES OF SECTION 42-5032.03 AND SUBJECT TO SECTION
42 48-4238, BEGINNING THE FIRST DAY OF THE MONTH FOLLOWING THE EFFECTIVE DATE
43 OF THIS AMENDMENT TO THIS SECTION AND EACH MONTH THEREAFTER THROUGH
44 DECEMBER 31, 2055, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES
45 REPORTED AND COLLECTED UNDER THE PRIME CONTRACTING CLASSIFICATION FROM ANY

1 PRIME CONTRACTOR ENGAGED IN THE CONSTRUCTION OF ANY BUILDINGS AND
2 ASSOCIATED IMPROVEMENTS THAT ARE FOR THE BENEFIT OF A MAJOR LEAGUE
3 BASEBALL FACILITY OR AN ADJACENT BUILDING THAT IS OWNED BY A COUNTY
4 STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26 AND OPERATED BY THE
5 COUNTY STADIUM DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
6 ORGANIZATION THAT OCCUPIES THE MAJOR LEAGUE BASEBALL FACILITY OR ADJACENT
7 BUILDING. FOR THE PURPOSES OF THIS SUBSECTION, "ADJACENT BUILDING" AND
8 "MAJOR LEAGUE BASEBALL FACILITY" HAVE THE SAME MEANINGS PRESCRIBED IN
9 SECTION 48-4201.

10 ~~I.~~ J. The gross proceeds of sales or gross income derived from a
11 contract for lawn maintenance services is not subject to tax under this
12 section if the contract does not include landscaping activities. Lawn
13 maintenance service is a service pursuant to section 42-5061, subsection
14 A, paragraph 1, and includes lawn mowing and edging, weeding, repairing
15 sprinkler heads or drip irrigation heads, seasonal replacement of flowers,
16 refreshing gravel, lawn dethatching, seeding winter lawns, leaf and debris
17 collection and removal, tree or shrub pruning or clipping, garden and
18 gravel raking and applying pesticides, as defined in section 3-361, and
19 fertilizer materials, as defined in section 3-262.

20 ~~J.~~ K. Except as provided in subsection ~~P~~ of this section, the
21 gross proceeds of sales or gross income derived from landscaping
22 activities is subject to tax under this section. Landscaping includes
23 installing lawns, grading or leveling ground, installing gravel or
24 boulders, planting trees and other plants, felling trees, removing or
25 mulching tree stumps, removing other imbedded plants, building irrigation
26 berms, installing railroad ties and installing underground sprinkler or
27 watering systems.

28 ~~K.~~ L. The portion of gross proceeds of sales or gross income
29 attributable to the actual direct costs of providing architectural or
30 engineering services that are incorporated in a contract is not subject to
31 tax under this section. For the purposes of this subsection, "direct
32 costs" means the portion of the actual costs that are directly expended in
33 providing architectural or engineering services.

34 ~~L.~~ M. Operating a landfill or a solid waste disposal facility is
35 not subject to taxation under this section, including filling, compacting
36 and creating vehicle access to and from cell sites within the landfill.
37 Constructing roads to a landfill or solid waste disposal facility and
38 constructing cells within a landfill or solid waste disposal facility may
39 be deemed prime contracting under this section.

40 ~~M.~~ N. The following apply in determining the taxable situs of
41 sales of manufactured buildings:

42 1. For sales in this state where the manufactured building dealer
43 contracts to deliver the building to a setup site or to perform the setup
44 in this state, the taxable situs is the setup site.

1 2. For sales in this state where the manufactured building dealer
2 does not contract to deliver the building to a setup site or does not
3 perform the setup, the taxable situs is the location of the dealership
4 where the building is delivered to the buyer.

5 3. For sales in this state where the manufactured building dealer
6 contracts to deliver the building to a setup site that is outside this
7 state, the situs is outside this state and the transaction is excluded
8 from tax.

9 ~~N~~ 0. The gross proceeds of sales or gross income attributable to
10 a written contract for design phase services or professional services,
11 executed before modification begins and with terms, conditions and pricing
12 of all of these services separately stated in the contract from those for
13 construction phase services, is not subject to tax under this section,
14 regardless of whether the services are provided sequential to or
15 concurrent with prime contracting activities that are subject to tax under
16 this section. This subsection does not include the gross proceeds of
17 sales or gross income attributable to construction phase services. For
18 the purposes of this subsection:

19 1. "Construction phase services" means services for the execution
20 and completion of any modification, including the following:

21 (a) Administration or supervision of any modification performed on
22 the project, including team management and coordination, scheduling, cost
23 controls, submittal process management, field management, safety program,
24 close-out process and warranty period services.

25 (b) Administration or supervision of any modification performed
26 pursuant to a punch list. For the purposes of this subdivision, "punch
27 list" means minor items of modification work performed after substantial
28 completion and before final completion of the project.

29 (c) Administration or supervision of any modification performed
30 pursuant to change orders. For the purposes of this subdivision, "change
31 order" means a written instrument issued after execution of a contract for
32 modification work, providing for all of the following:

33 (i) The scope of a change in the modification work, contract for
34 modification work or other contract documents.

35 (ii) The amount of an adjustment, if any, to the guaranteed maximum
36 price as set in the contract for modification work. For the purposes of
37 this item, "guaranteed maximum price" means the amount guaranteed to be
38 the maximum amount due to a prime contractor for the performance of all
39 modification work for the project.

40 (iii) The extent of an adjustment, if any, to the contract time of
41 performance set forth in the contract.

42 (d) Administration or supervision of any modification performed
43 pursuant to change directives. For the purposes of this subdivision,
44 "change directive" means a written order directing a change in

1 modification work before agreement on an adjustment of the guaranteed
2 maximum price or contract time.

3 (e) Inspection to determine the dates of substantial completion or
4 final completion.

5 (f) Preparation of any manuals, warranties, as-built drawings,
6 spares or other items the prime contractor must furnish pursuant to the
7 contract for modification work. For the purposes of this subdivision,
8 "as-built drawing" means a drawing that indicates field changes made to
9 adapt to field conditions, field changes resulting from change orders or
10 buried and concealed installation of piping, conduit and utility services.

11 (g) Preparation of status reports after modification work has begun
12 detailing the progress of work performed, including preparation of any of
13 the following:

14 (i) Master schedule updates.

15 (ii) Modification work cash flow projection updates.

16 (iii) Site reports made on a periodic basis.

17 (iv) Identification of discrepancies, conflicts or ambiguities in
18 modification work documents that require resolution.

19 (v) Identification of any health and safety issues that have arisen
20 in connection with the modification work.

21 (h) Preparation of daily logs of modification work, including
22 documentation of personnel, weather conditions and on-site occurrences.

23 (i) Preparation of any submittals or shop drawings used by the
24 prime contractor to illustrate details of the modification work performed.

25 (j) Administration or supervision of any other activities for which
26 a prime contractor receives a certificate for payment or certificate for
27 final payment based on the progress of modification work performed on the
28 project.

29 2. "Design phase services" means services for developing and
30 completing a design for a project that are not construction phase
31 services, including the following:

32 (a) Evaluating surveys, reports, test results or any other
33 information on-site conditions for the project, including physical
34 characteristics, legal limitations and utility locations for the site.

35 (b) Evaluating any criteria or programming objectives for the
36 project to ascertain requirements for the project, such as physical
37 requirements affecting cost or projected utilization of the project.

38 (c) Preparing drawings and specifications for architectural program
39 documents, schematic design documents, design development documents,
40 modification work documents or documents that identify the scope of or
41 materials for the project.

42 (d) Preparing an initial schedule for the project, excluding the
43 preparation of updates to the master schedule after modification work has
44 begun.

1 (e) Preparing preliminary estimates of costs of modification work
2 before completion of the final design of the project, including an
3 estimate or schedule of values for any of the following:

4 (i) Labor, materials, machinery and equipment, tools, water, heat,
5 utilities, transportation and other facilities and services used in the
6 execution and completion of modification work, regardless of whether they
7 are temporary or permanent or whether they are incorporated in the
8 modifications.

9 (ii) The cost of labor and materials to be furnished by the owner
10 of the real property.

11 (iii) The cost of any equipment of the owner of the real property
12 to be assigned by the owner to the prime contractor.

13 (iv) The cost of any labor for installation of equipment separately
14 provided by the owner of the real property that has been designed,
15 specified, selected or specifically provided for in any design document
16 for the project.

17 (v) Any fee paid by the owner of the real property to the prime
18 contractor pursuant to the contract for modification work.

19 (vi) Any bond and insurance premiums.

20 (vii) Any applicable taxes.

21 (viii) Any contingency fees for the prime contractor that may be
22 used before final completion of the project.

23 (f) Reviewing and evaluating cost estimates and project documents
24 to prepare recommendations on site use, site improvements, selection of
25 materials, building systems and equipment, modification feasibility,
26 availability of materials and labor, local modification activity as
27 related to schedules and time requirements for modification work.

28 (g) Preparing the plan and procedures for selection of
29 subcontractors, including any prequalification of subcontractor
30 candidates.

31 3. "Professional services" means architect services, engineer
32 services, geologist services, land surveying services or landscape
33 architect services that are within the scope of those services as provided
34 in title 32, chapter 1 and for which gross proceeds of sales or gross
35 income has not otherwise been deducted under subsection ~~4~~ L of this
36 section.

37 ~~4~~ P. The gross proceeds of sales or gross income derived from a
38 contract with the owner of real property or improvements to real property
39 for the maintenance, repair, replacement or alteration of existing
40 property is not subject to tax under this section if the contract does not
41 include modification activities, except as specified in this subsection.
42 The gross proceeds of sales or gross income derived from a de minimis
43 amount of modification activity does not subject the contract or any part
44 of the contract to tax under this section. For the purposes of this
45 subsection:

1 1. Tangible personal property that is incorporated or fabricated
2 into a project described in this subsection may be subject to the amount
3 prescribed in section 42-5008.01.

4 2. Each contract is independent of any other contract, except that
5 any change order that directly relates to the scope of work of the
6 original contract shall be treated the same as the original contract under
7 this chapter, regardless of the amount of modification activities included
8 in the change order. If a change order does not directly relate to the
9 scope of work of the original contract, the change order shall be treated
10 as a new contract, with the tax treatment of any subsequent change order
11 to follow the tax treatment of the contract to which the scope of work of
12 the subsequent change order directly relates.

13 ~~P.~~ Q. Notwithstanding subsection ~~Q~~ P of this section, a contract
14 that primarily involves surface or subsurface improvements to land and
15 that is subject to title 28, chapter 19, 20 or 22 or title 34, chapter 2
16 or 6 is taxable under this section, even if the contract also includes
17 vertical improvements. Agencies that are subject to procurement processes
18 under those provisions shall include in the request for proposals a notice
19 to bidders when those projects are subject to this section. This
20 subsection does not apply to contracts with:

21 1. Community facilities districts, fire districts, county
22 television improvement districts, community park maintenance districts,
23 cotton pest control districts, hospital districts, pest abatement
24 districts, health service districts, agricultural improvement districts,
25 county free library districts, county jail districts, county stadium
26 districts, special health care districts, public health services
27 districts, theme park districts or revitalization districts.

28 2. Any special taxing district not specified in paragraph 1 of this
29 subsection if the district does not substantially engage in the
30 modification, maintenance, repair, replacement or alteration of surface or
31 subsurface improvements to land.

32 ~~R.~~ R. Notwithstanding subsection ~~R~~ S, paragraph 10 of this
33 section, a person owning real property who enters into a contract for sale
34 of the real property, who is responsible to the new owner of the property
35 for modifications made to the property in the period subsequent to the
36 transfer of title and who receives a consideration for the modifications
37 is considered a prime contractor solely for purposes of taxing the gross
38 proceeds of sale or gross income received for the modifications made
39 subsequent to the transfer of title. The original owner's gross proceeds
40 of sale or gross income received for the modifications shall be determined
41 according to the following methodology:

42 1. If any part of the contract for sale of the property specifies
43 amounts to be paid to the original owner for the modifications to be made
44 in the period subsequent to the transfer of title, the amounts are
45 included in the original owner's gross proceeds of sale or gross income

1 under this section. Proceeds from the sale of the property that are
2 received after transfer of title and that are unrelated to the
3 modifications made subsequent to the transfer of title are not considered
4 gross proceeds of sale or gross income from the modifications.

5 2. If the original owner enters into an agreement separate from the
6 contract for sale of the real property providing for amounts to be paid to
7 the original owner for the modifications to be made in the period
8 subsequent to the transfer of title to the property, the amounts are
9 included in the original owner's gross proceeds of sale or gross income
10 received for the modifications made subsequent to the transfer of title.

11 3. If the original owner is responsible to the new owner for
12 modifications made to the property in the period subsequent to the
13 transfer of title and derives any gross proceeds of sale or gross income
14 from the project subsequent to the transfer of title other than a delayed
15 disbursement from escrow unrelated to the modifications, it is presumed
16 that the amounts are received for the modifications made subsequent to the
17 transfer of title unless the contrary is established by the owner through
18 its books, records and papers kept in the regular course of business.

19 4. The tax base of the original owner is computed in the same
20 manner as a prime contractor under this section.

21 ~~R.~~ S. For the purposes of this section:

22 1. "Alteration" means an activity or action that causes a direct
23 physical change to existing property. For the purposes of this paragraph:

24 (a) For existing property that is properly classified as class two
25 property under section 42-12002, paragraph 1, subdivision (c) or paragraph
26 2, subdivision (c) and that is used for residential purposes, class three
27 property under section 42-12003 or class four property under section
28 42-12004, this paragraph does not apply if the contract amount is more
29 than twenty-five percent of the most recent full cash value established
30 under chapter 13, article 2 of this title as of the date of any bid for
31 the work or the date of the contract, whichever value is higher.

32 (b) For all existing property other than existing property
33 described in subdivision (a) of this paragraph, this paragraph does not
34 apply if the contract amount is more than \$750,000.

35 (c) Project elements may not be artificially separated from a
36 contract to cause a project to qualify as an alteration. The department
37 has the burden of proof that project elements have been artificially
38 separated from a contract.

39 (d) If a project for which the owner and the person performing the
40 work reasonably believed, at the inception of the contract, would be
41 treated as an alteration under this paragraph and, on completion of the
42 project, the project exceeded the applicable threshold described in either
43 subdivision (a) or (b) of this paragraph by not more than twenty-five
44 percent of the applicable threshold for any reason, the work performed
45 under the contract qualifies as an alteration.

1 (e) A change order that directly relates to the scope of work of
2 the original contract shall be treated as part of the original contract,
3 and the contract amount shall include any amount attributable to a change
4 order that directly relates to the scope of work of the original contract.

5 (f) Alteration does not include maintenance, repair or replacement.

6 2. "Contracting" means engaging in business as a contractor.

7 3. "Contractor" is synonymous with the term "builder" and means any
8 person or organization that undertakes to or offers to undertake to, or
9 purports to have the capacity to undertake to, or submits a bid to, or
10 does personally or by or through others, modify any building, highway,
11 road, railroad, excavation, manufactured building or other structure,
12 project, development or improvement, or to do any part of such a project,
13 including the erection of scaffolding or other structure or works in
14 connection with such a project, and includes subcontractors and specialty
15 contractors. For all purposes of taxation or deduction, this definition
16 shall govern without regard to whether or not such a contractor is acting
17 in fulfillment of a contract.

18 4. "Manufactured building" means a manufactured home, mobile home
19 or factory-built building, as defined in section 41-4001.

20 5. "Manufactured building dealer" means a dealer who either:

21 (a) Is licensed pursuant to title 41, chapter 37, article 4 and who
22 sells manufactured buildings to the final consumer.

23 (b) Supervises, performs or coordinates the excavation and
24 completion of site improvements or the setup of a manufactured building,
25 including the contracting, if any, with any subcontractor or specialty
26 contractor for the completion of the contract.

27 6. "Modification" means construction, grading and leveling ground,
28 wreckage or demolition. Modification does not include:

29 (a) Any project described in subsection ~~⊖~~ P of this section.

30 (b) Any wreckage or demolition of existing property, or any other
31 activity that is a necessary component of a project described in
32 subsection ~~⊖~~ P of this section.

33 (c) Any mobilization or demobilization related to a project
34 described in subsection ~~⊖~~ P of this section, such as the erection or
35 removal of temporary facilities to be used by those persons working on the
36 project.

37 7. "Modify" means to make a modification or cause a modification to
38 be made.

39 8. "Owner" means the person that holds title to the real property
40 or improvements to real property that is the subject of the work, as well
41 as an agent of the title holder and any person with the authority to
42 perform or authorize work on the real property or improvements, including
43 a tenant and a property manager. For the purposes of subsection ~~⊖~~ P of
44 this section, a person who is hired by a general contractor that is hired

1 by an owner, or a subcontractor of a general contractor that is hired by
2 an owner, is considered to be hired by the owner.

3 9. "Prime contracting" means engaging in business as a prime
4 contractor.

5 10. "Prime contractor" means a contractor who supervises, performs
6 or coordinates the modification of any building, highway, road, railroad,
7 excavation, manufactured building or other structure, project, development
8 or improvement, including the contracting, if any, with any subcontractors
9 or specialty contractors and who is responsible for the completion of the
10 contract. Except as provided in subsections E and ~~R~~ R of this section, a
11 person who owns real property, who engages one or more contractors to
12 modify that real property and who does not itself modify that real
13 property is not a prime contractor within the meaning of this paragraph
14 regardless of the existence of a contract for sale or the subsequent sale
15 of that real property.

16 11. "Replacement" means the removal from service of one component
17 or system of existing property or tangible personal property installed in
18 existing property, including machinery or equipment, and the installation
19 of a new component or system or new tangible personal property, including
20 machinery or equipment, that provides the same, a similar or an upgraded
21 design or functionality, regardless of the contract amount and regardless
22 of whether the existing component or system or existing tangible personal
23 property is physically removed from the existing property.

24 12. "Sale of a used manufactured building" does not include a lease
25 of a used manufactured building.

26 Sec. 13. Section 42-5159, Arizona Revised Statutes, is amended to
27 read:

28 42-5159. Exemptions

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

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

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

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

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

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

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

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

24 8. Purchases of:

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

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

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

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

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

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

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

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

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

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

14 13. Tangible personal property purchased by:

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

18 (b) A hospital operated by this state or a political subdivision of
19 this state.

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

25 (d) A qualifying health care organization, as defined in section
26 42-5001, if the tangible personal property is used by the organization
27 solely to provide health and medical related educational and charitable
28 services.

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

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

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

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

1 (ii) Incorporated or fabricated by the person into any project
2 described in section 42-5075, subsection ~~Q~~ P.

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

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

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

14 (j) A qualifying community health center as defined in section
15 42-5001.

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

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

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

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

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

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

1 15. Tangible personal property sold by:

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

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

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

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

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

32 18. Prescription eyeglasses and contact lenses.

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

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

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

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

44 23. Items purchased with United States department of agriculture
45 coupons issued under the supplemental nutrition assistance program

1 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;
2 7 United States Code sections 2011 through 2036b) by the United States
3 department of agriculture food and nutrition service or food instruments
4 issued under section 17 of the child nutrition act (P.L. 95-627; 92 Stat.
5 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States Code
6 section 1786).

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

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

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

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

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

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

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

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

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

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

42 (b) Public educational institutions.

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

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

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

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

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

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

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

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

40 (a) "Overhead materials" means tangible personal property, the
41 gross proceeds of sales or gross income derived from which would otherwise
42 be included in the retail classification, that is used or consumed in
43 performing a contract, the cost of which is charged to an overhead expense
44 account and allocated to various contracts based on generally accepted

1 accounting principles and consistent with government contract accounting
2 standards.

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

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

20 41. Wireless telecommunications equipment that is held for sale or
21 transfer to a customer as an inducement to enter into or continue a
22 contract for telecommunications services that are taxable under section
23 42-5064.

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

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

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

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

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

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

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

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

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

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

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

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

25 (b) "Curriculum design or enhancement" means planning, implementing
26 or reporting on courses of study, lessons, assignments or other learning
27 activities.

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

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

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

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

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

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

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

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

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

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

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

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

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

45 (ii) Prepaid calling cards for telecommunications services.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15 (a) A person:

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

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

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

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

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

43 (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,
45 developing or testing prototypes, processes or new products, including

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

42 22. Qualifying equipment that is purchased from and after June 30,
43 2004 through December 31, 2026 by a qualified business under section
44 41-1516 for harvesting or processing qualifying forest products removed
45 from qualifying projects as defined in section 41-1516. To qualify for

1 this exemption, the qualified business must obtain and present its
2 certification from the Arizona commerce authority at the time of purchase.

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

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

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

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

23 2. Janitorial equipment and hand tools.

24 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

43 (i) A business that manufactures or smelts tangible products in
44 this state, of which at least fifty-one percent of the manufactured or

1 smelted products will be exported out of state for incorporation into
2 another product or sold out of state for a final sale.

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

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

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

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

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

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

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

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

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

32 2. "Aircraft" includes:

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

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

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

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

1 Sec. 14. Title 42, chapter 6, article 1, Arizona Revised Statutes,
2 is amended by adding section 42-6018, to read:

3 42-6018. Distribution of revenues for county stadium district
4 from cities and towns; notice; limit; definitions

5 A. SUBJECT TO SECTION 48-4238 AND SUBSECTION D OF THIS SECTION,
6 BEGINNING THE FIRST MONTH FOLLOWING THE EFFECTIVE DATE OF THIS SECTION AND
7 EACH MONTH THEREAFTER THROUGH MARCH 31, 2056, EACH CITY AND TOWN SHALL
8 TRANSMIT THE AMOUNT DETERMINED UNDER SUBSECTION B OF THIS SECTION TO THE
9 COUNTY STADIUM DISTRICT ESTABLISHED PURSUANT TO TITLE 48, CHAPTER 26 FOR
10 DEPOSIT IN THE COUNTY STADIUM DISTRICT FUND ESTABLISHED PURSUANT TO
11 SECTION 48-4231. THE DEPARTMENT SHALL NOTIFY THE CITY OR TOWN OF THE
12 AMOUNT DETERMINED PURSUANT TO SUBSECTION B OF THIS SECTION EACH MONTH, AND
13 THE CITY OR TOWN SHALL TRANSMIT THE MONIES WITHIN THIRTY DAYS AFTER
14 RECEIVING THE NOTICE.

15 B. THE AMOUNT TO BE TRANSMITTED UNDER SUBSECTION A OF THIS SECTION
16 IS THE AMOUNT DETERMINED BY THE DEPARTMENT TO BE THE FIRST TWO PERCENT OF
17 THE RATE OF TRANSACTION PRIVILEGE, SALES, USE, FRANCHISE OR OTHER SIMILAR
18 TAX OR FEES COLLECTED ON BEHALF OF THE CITY OR TOWN FOR TAXABLE PERIODS
19 BEGINNING ON THE FIRST DAY OF THE MONTH FOLLOWING THE EFFECTIVE DATE OF
20 THIS SECTION THROUGH DECEMBER 31, 2055 FROM PERSONS ENGAGED IN THE
21 FOLLOWING BUSINESS ACTIVITIES AT, OR WITH RESPECT TO EVENTS HELD AT, A
22 MAJOR LEAGUE BASEBALL FACILITY OR AN ADJACENT BUILDING THAT IS OWNED BY A
23 COUNTY STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26 AND OPERATED BY
24 THE COUNTY STADIUM DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
25 ORGANIZATION THAT OCCUPIES THE MAJOR LEAGUE BASEBALL FACILITY OR ADJACENT
26 BUILDING:

27 1. SELLING TANGIBLE PERSONAL PROPERTY AT RETAIL.

28 2. OPERATING OR CONDUCTING THEATERS, MOVIES, OPERAS, SHOWS OF ANY
29 TYPE OR NATURE, EXHIBITIONS, CONCERTS, CARNIVALS, CIRCUSES, AMUSEMENT
30 PARKS, MENAGERIES, FAIRS, RACES, CONTESTS, GAMES, BILLIARD OR POOL
31 PARLORS, BOWLING ALLEYS, PUBLIC DANCES, DANCE HALLS, BOXING AND WRESTLING
32 MATCHES, SKATING RINKS, TENNIS COURTS, VIDEO GAMES, PINBALL MACHINES OR
33 SPORTS EVENTS OR ANY OTHER BUSINESS CHARGING ADMISSION OR USER FEES FOR
34 EXHIBITION, AMUSEMENT OR ENTERTAINMENT.

35 3. OPERATING A RESTAURANT, DINING CAR, DINING ROOM, LUNCHROOM,
36 MOBILE FOOD UNIT, LUNCH STAND, SODA FOUNTAIN, CATERING SERVICE OR SIMILAR
37 ESTABLISHMENT WHERE ARTICLES OF FOOD OR DRINK ARE SOLD FOR CONSUMPTION ON
38 OR OFF THE PREMISES.

39 4. PRIME CONTRACTING.

40 C. FOR THE PURPOSES OF THIS SECTION AND SUBJECT TO SECTION 48-4238,
41 BEGINNING THE FIRST DAY OF THE MONTH FOLLOWING THE EFFECTIVE DATE OF THIS
42 SECTION AND EACH MONTH THEREAFTER THROUGH DECEMBER 31, 2055, THE
43 DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES COLLECTED FROM EACH
44 BUSINESS PRESCRIBED IN SUBSECTION B OF THIS SECTION ON THE PREMISES OF A
45 MAJOR LEAGUE BASEBALL FACILITY OR AN ADJACENT BUILDING THAT IS OWNED BY A

1 COUNTY STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26 AND OPERATED BY
2 THE COUNTY STADIUM DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
3 ORGANIZATION THAT OCCUPIES THE MAJOR LEAGUE BASEBALL FACILITY OR ADJACENT
4 BUILDING.

5 D. THE TOTAL AMOUNT TRANSMITTED UNDER THIS SECTION MAY NOT EXCEED
6 \$3,500,000 EACH YEAR AS INCREASED PURSUANT TO SUBSECTION E OF THIS
7 SECTION. IF THE LIMIT PRESCRIBED BY THIS SUBSECTION IS MET, THE CITY OR
8 TOWN SHALL STOP TRANSMITTING MONIES PURSUANT TO THIS SECTION UNTIL THE
9 FOLLOWING YEAR.

10 E. BEGINNING FROM AND AFTER DECEMBER 31, 2026 THROUGH DECEMBER 31,
11 2055, EACH CITY OR TOWN SHALL ANNUALLY INCREASE THE LIMIT PRESCRIBED BY
12 SUBSECTION D OF THIS SECTION BY THREE PERCENT.

13 F. FOR THE PURPOSES OF THIS SECTION, "ADJACENT BUILDING" AND "MAJOR
14 LEAGUE BASEBALL FACILITY" HAVE THE SAME MEANINGS PRESCRIBED IN SECTION
15 48-4201.

16 Sec. 15. Delayed repeal

17 Section 42-6018, Arizona Revised Statutes, as added by this act, is
18 repealed from and after March 31, 2055.

19 Sec. 16. Title 42, chapter 6, article 3, Arizona Revised Statutes,
20 is amended by adding section 42-6113, to read:

21 42-6113. Distribution of revenues for county stadium district
22 from county transportation excise tax; definitions

23 A. SUBJECT TO SECTION 48-4238, BEGINNING THE FIRST MONTH FOLLOWING
24 THE EFFECTIVE DATE OF THIS SECTION AND EACH MONTH THEREAFTER THROUGH MARCH
25 31, 2056, THE STATE TREASURER, ON INSTRUCTION FROM THE DEPARTMENT, SHALL
26 TRANSMIT FROM THE AMOUNT COLLECTED PURSUANT TO THIS ARTICLE THE AMOUNT
27 DETERMINED UNDER SUBSECTION B OF THIS SECTION TO THE COUNTY STADIUM
28 DISTRICT ESTABLISHED PURSUANT TO TITLE 48, CHAPTER 26 FOR DEPOSIT IN THE
29 COUNTY STADIUM DISTRICT FUND ESTABLISHED PURSUANT TO SECTION 48-4231.

30 B. THE AMOUNT TO BE TRANSMITTED UNDER SUBSECTION A OF THIS SECTION
31 IS THE TOTAL AMOUNT OF COUNTY EXCISE TAXES COLLECTED PURSUANT TO SECTIONS
32 42-6105 AND 42-6105.01 ON BEHALF OF THE COUNTY FOR TAXABLE PERIODS
33 BEGINNING ON THE FIRST DAY OF THE MONTH FOLLOWING THE EFFECTIVE DATE OF
34 THIS SECTION THROUGH DECEMBER 31, 2055 FROM PERSONS ENGAGED IN THE
35 FOLLOWING BUSINESS ACTIVITIES AT, OR WITH RESPECT TO EVENTS HELD AT, A
36 MAJOR LEAGUE BASEBALL FACILITY OR AN ADJACENT BUILDING THAT IS OWNED BY A
37 COUNTY STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26 AND OPERATED BY
38 THE COUNTY STADIUM DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
39 ORGANIZATION THAT OCCUPIES THE MAJOR LEAGUE BASEBALL FACILITY OR ADJACENT
40 BUILDING:

41 1. SELLING TANGIBLE PERSONAL PROPERTY AT RETAIL.

42 2. OPERATING OR CONDUCTING THEATERS, MOVIES, OPERAS, SHOWS OF ANY
43 TYPE OR NATURE, EXHIBITIONS, CONCERTS, CARNIVALS, CIRCUSES, AMUSEMENT
44 PARKS, MENAGERIES, FAIRS, RACES, CONTESTS, GAMES, BILLIARD OR POOL
45 PARLORS, BOWLING ALLEYS, PUBLIC DANCES, DANCE HALLS, BOXING AND WRESTLING

1 MATCHES, SKATING RINKS, TENNIS COURTS, VIDEO GAMES, PINBALL MACHINES OR
2 SPORTS EVENTS OR ANY OTHER BUSINESS CHARGING ADMISSION OR USER FEES FOR
3 EXHIBITION, AMUSEMENT OR ENTERTAINMENT.

4 3. OPERATING A RESTAURANT, DINING CAR, DINING ROOM, LUNCHROOM,
5 MOBILE FOOD UNIT, LUNCH STAND, SODA FOUNTAIN, CATERING SERVICE OR SIMILAR
6 ESTABLISHMENT WHERE ARTICLES OF FOOD OR DRINK ARE SOLD FOR CONSUMPTION ON
7 OR OFF THE PREMISES.

8 4. PRIME CONTRACTING.

9 C. FOR THE PURPOSES OF THIS SECTION AND SUBJECT TO SECTION 48-4238,
10 BEGINNING THE FIRST DAY OF THE MONTH FOLLOWING THE EFFECTIVE DATE OF THIS
11 SECTION AND EACH MONTH THEREAFTER THROUGH DECEMBER 31, 2055, THE
12 DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES COLLECTED PURSUANT TO
13 SECTIONS 42-6105 AND 42-6105.01 FROM EACH BUSINESS PRESCRIBED IN
14 SUBSECTION B OF THIS SECTION ON THE PREMISES OF A MAJOR LEAGUE BASEBALL
15 FACILITY OR AN ADJACENT BUILDING THAT IS OWNED BY A COUNTY STADIUM
16 DISTRICT PURSUANT TO TITLE 48, CHAPTER 26 AND OPERATED BY THE COUNTY
17 STADIUM DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT
18 OCCUPIES THE MAJOR LEAGUE BASEBALL FACILITY OR ADJACENT BUILDING.

19 D. FOR THE PURPOSES OF THIS SECTION, "ADJACENT BUILDING" AND "MAJOR
20 LEAGUE BASEBALL FACILITY" HAVE THE SAME MEANINGS PRESCRIBED IN SECTION
21 48-4201.

22 Sec. 17. Delayed repeal

23 Section 42-6113, Arizona Revised Statutes, as added by this act, is
24 repealed from and after March 31, 2055.

25 Sec. 18. Section 43-209, Arizona Revised Statutes, is amended to
26 read:

27 43-209. Collection of tax on income of professional athletes
28 earned in this state; separate accounting for tax
29 revenue from professional football and baseball;
30 definitions

31 A. The department shall adopt and enforce rules for the collection
32 of tax under this title on the income earned for services rendered in this
33 state by professional athletes and employees of professional sport
34 franchise organizations.

35 B. On or before December 31 of each year each professional football
36 franchise organization that is domiciled in this state AND EACH
37 PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT COMPENSATES INDIVIDUALS
38 FOR SERVICES RENDERED AT A MAJOR LEAGUE BASEBALL FACILITY THAT IS OWNED BY
39 A COUNTY STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26 AND THAT IS
40 OPERATED BY THE COUNTY STADIUM DISTRICT OR THE PROFESSIONAL BASEBALL
41 FRANCHISE ORGANIZATION THAT OCCUPIES THE FACILITY shall provide to the
42 department the federal taxpayer identification number, assigned pursuant
43 to section 6109 of the internal revenue code, for each resident and
44 nonresident employee of the organization who rendered services in this
45 state for the organization during the calendar year. Unless due to

1 reasonable cause and not due to wilful neglect, a professional football
2 franchise organization OR PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION
3 that fails to provide taxpayer identification numbers pursuant to this
4 subsection shall pay a civil penalty of ~~five dollars~~ \$5 for each such
5 number.

6 C. For purposes of section 42-1116, subsection C, on or before
7 March 31 of each year, the department shall separately account for and
8 report to the state treasurer as a single aggregate amount the total net
9 revenues collected during the preceding calendar year from the imposition
10 of tax under this title on the income from all sources of:

11 1. Any professional football franchise organization that is
12 domiciled in this state.

13 2. Resident and nonresident employees of any professional football
14 franchise organization that is domiciled in this state. For reporting
15 purposes under this subsection, the department shall include all income
16 reported on joint returns, regardless of the spouse to whom it is
17 attributable, and the income of an employee's spouse that is reported on a
18 separate return.

19 D. FOR THE PURPOSES OF SECTION 42-1116, SUBSECTION D AND SUBJECT TO
20 SECTION 48-4238, ON OR BEFORE MARCH 31 OF EACH YEAR THROUGH DECEMBER 31,
21 2056, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR AND REPORT TO THE STATE
22 TREASURER AS A SINGLE AGGREGATE AMOUNT THE TOTAL NET REVENUES COLLECTED
23 DURING THE PRECEDING CALENDAR YEAR FROM THE IMPOSITION OF TAX UNDER THIS
24 TITLE ON THE INCOME FROM ALL SOURCES OF:

25 1. ANY PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT IS
26 DOMICILED IN THIS STATE.

27 2. RESIDENT AND NONRESIDENT EMPLOYEES WHO ARE MEMBERS OF ANY
28 PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT IS DOMICILED IN THIS
29 STATE. FOR REPORTING PURPOSES UNDER THIS SUBSECTION, THE DEPARTMENT SHALL
30 INCLUDE ALL INCOME REPORTED ON JOINT RETURNS, REGARDLESS OF THE SPOUSE TO
31 WHOM IT IS ATTRIBUTABLE, AND THE INCOME OF AN EMPLOYEE'S SPOUSE THAT IS
32 REPORTED ON A SEPARATE RETURN.

33 3. RESIDENT AND NONRESIDENT EMPLOYEES WHO ARE MEMBERS OF ANY
34 PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT IS DOMICILED OUTSIDE OF
35 THIS STATE FOR SERVICES RENDERED IN THIS STATE AT A MAJOR LEAGUE BASEBALL
36 FACILITY THAT IS OWNED BY A COUNTY STADIUM DISTRICT PURSUANT TO TITLE 48,
37 CHAPTER 26 AND THAT IS OPERATED BY THE COUNTY STADIUM DISTRICT OR THE
38 PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES THE FACILITY.

39 ~~D.~~ E. For THE purposes of this section: ~~;~~

40 1. "MEMBER OF ANY PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION":

41 (a) MEANS AN EMPLOYEE WHO IS AN ACTIVE PLAYER, A PLAYER ON THE
42 DISABLED LIST AND ANY OTHER PERSON REQUIRED TO TRAVEL AND WHO TRAVELS WITH
43 AND PERFORMS SERVICES FOR THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION
44 ON A REGULAR BASIS.

45 (b) INCLUDES COACHES, MANAGERS, TRAINERS AND BROADCASTERS.

1 2. "PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION" MEANS AN
2 ORGANIZATION THAT HAS THE RIGHT TO FIELD A TEAM FOR PARTICIPATION IN
3 PROFESSIONAL BASEBALL CONTESTS SCHEDULED BY A NATIONWIDE LEAGUE DURING A
4 REGULAR SEASON HELD IN THE MONTHS OF MARCH THROUGH OCTOBER EACH YEAR.

5 3. "Professional football franchise organization" means an
6 organization that has the right to field a team for participation in
7 professional football contests scheduled by a nationwide league during a
8 regular season held in the months of September through December each year.

9 Sec. 19. Section 48-4201, Arizona Revised Statutes, is amended to
10 read:

11 48-4201. Definitions

12 In this chapter, unless the context otherwise requires:

13 1. "ADJACENT BUILDING":

14 (a) MEANS A BUILDING THAT IS BOTH:

15 (i) OWNED BY A DISTRICT ESTABLISHED PURSUANT TO THIS CHAPTER ON OR
16 BEFORE THE EFFECTIVE DATE OF THIS AMENDMENT TO THIS SECTION AND OPERATED
17 BY THE DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT
18 OCCUPIES THE BUILDING.

19 (ii) ADJACENT TO A MAJOR LEAGUE BASEBALL FACILITY THAT IS OWNED BY
20 A DISTRICT PURSUANT TO THIS CHAPTER AND OPERATED BY THE DISTRICT OR THE
21 PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES THE FACILITY.

22 (b) INCLUDES A BUILDING THAT IS CONSTRUCTED AFTER THE EFFECTIVE
23 DATE OF THIS AMENDMENT TO THIS SECTION IF THE BUILDING IS BOTH:

24 (i) ADJACENT TO THE MAJOR LEAGUE BASEBALL FACILITY THAT IS OWNED BY
25 A DISTRICT ESTABLISHED PURSUANT TO THIS CHAPTER AND OPERATED BY THE
26 DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES
27 THE MAJOR LEAGUE BASEBALL FACILITY.

28 (ii) OWNED BY A DISTRICT ESTABLISHED PURSUANT TO THIS CHAPTER AND
29 OPERATED BY THE DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
30 ORGANIZATION THAT WILL OCCUPY THE BUILDING FOR THE PURPOSES OF SELLING
31 MERCHANDISE.

32 ~~1.~~ 2. "Board" means the board of directors of any district
33 established under section 48-4202, subsection A, B or C.

34 ~~2.~~ 3. "Bond" means any obligation authorized and issued pursuant
35 to this chapter, including bonds, lease-purchase and installment purchase
36 agreements, certificates of participation in a lease-purchase or
37 installment purchase agreement and obligations that are authorized and
38 issued to refund or refinance obligations that are authorized and issued
39 pursuant to this chapter.

40 ~~3.~~ 4. "District" means any county stadium district established
41 pursuant to section 48-4202, subsection A, B or C.

42 5. "MAJOR LEAGUE BASEBALL FACILITY" MEANS A MULTIPURPOSE FACILITY
43 OR STADIUM THAT IS USED FOR THE PURPOSES OF MAJOR LEAGUE BASEBALL
44 OPERATIONS OR ACTIVITIES.

1 ~~4.~~ 6. "Multipurpose facility" means any facility or facilities
2 that include:

3 (a) A primary component that is located in the district on the
4 multipurpose facility site and on lands that are adjacent to each other or
5 separated by public rights-of-way, that the district owns or leases and
6 that is used to accommodate sporting, entertainment, cultural, civic,
7 meeting, trade show or convention events or activities, fire, police or
8 other public safety facilities and tourism offices. The primary component
9 may not include any structure or part of a structure that is used or
10 designed for use as a county, city or town hall, as meeting space for the
11 county, city or town governing body or for general municipal
12 administrative office space other than for the administration, maintenance
13 and operation of the multipurpose facility.

14 (b) Secondary components that are located in the district and that
15 the board determines are necessary or beneficial to the primary component,
16 limited to on-site infrastructure, artistic components, parking garages
17 and lots, and public parks and plazas. In addition, secondary components
18 may include related commercial facilities that are located within the
19 multipurpose facility site.

20 ~~5.~~ 7. "Multipurpose facility site" means the geographic area
21 within the district which is depicted in the publicity pamphlet for an
22 election held pursuant to section 48-4237.

23 ~~6.~~ 8. "Municipality" means a city or town that is incorporated or
24 chartered under the constitution and laws of this state.

25 ~~7.~~ 9. "Stadium" means a sports facility or facilities located in
26 the district and designed to accommodate, but not be limited to, major
27 league baseball events or intercollegiate athletic events.

28 Sec. 20. Section 48-4202, Arizona Revised Statutes, is amended to
29 read:

30 48-4202. Formation of district; termination

31 A. The board of supervisors of each county having a population of
32 more than one million five hundred thousand persons or any county in which
33 a major league baseball organization has established or seeks to establish
34 a spring training operation may organize a countywide district to include
35 both the incorporated and unincorporated areas of the county, if the board
36 determines that the public convenience, necessity or welfare will be
37 promoted by establishing the district.

38 B. Two or more municipalities in the same county may organize a
39 district for multipurpose facilities if the governing bodies of the
40 municipalities determine that the public convenience, necessity or welfare
41 will be promoted by establishing the district. The district shall be
42 composed of the areas within the corporate boundaries of the
43 municipalities. After formation, the boundaries of the district shall not
44 be altered. A district may be established under this subsection in the
45 same county in which a district is established under subsection A of this

1 section. A district formed pursuant to this subsection shall be deemed a
2 county stadium district for the purposes of this chapter. Notwithstanding
3 any other law, a district may not be organized under this subsection from
4 and after October 31, 1999, except that a district may be organized under
5 this subsection after October 31, 1999 if before that date the governing
6 body of two or more of the municipalities identified the location of a
7 multipurpose facility site and has voted with the purpose of forming a
8 district for multipurpose facilities under this subsection.

9 C. The board of supervisors of any county in which a state
10 supported university is established may organize a single university
11 athletic facilities district if the board determines that the public
12 convenience, necessity or welfare will be promoted by establishing the
13 district. The district shall include only the area in the county within
14 the contiguous exterior boundaries of real property owned by the Arizona
15 board of regents and shall exclude any such real property subject to an
16 existing ground lease or subject to an existing agreement granting a third
17 party the right or option to a ground lease. After formation, the
18 boundaries of the district shall be altered only as the Arizona board of
19 regents acquires and disposes of real property. A district may be
20 established under this subsection in the same county in which a district
21 is established under subsection A of this section. A district formed
22 pursuant to this subsection is deemed a county stadium district for the
23 purposes of this chapter.

24 D. The county board of supervisors shall be the board of directors
25 of a countywide district established under subsection A of this section IN
26 A COUNTY WITH A POPULATION OF LESS THAN ONE MILLION FIVE HUNDRED THOUSAND
27 PERSONS.

28 E. THE BOARD OF DIRECTORS OF A DISTRICT ESTABLISHED UNDER
29 SUBSECTION A OF THIS SECTION IN A COUNTY WITH A POPULATION OF ONE MILLION
30 FIVE HUNDRED THOUSAND PERSONS OR MORE SHALL CONSIST OF THE FOLLOWING
31 PERSONS:

32 1. TWO MEMBERS WHO ARE APPOINTED BY THE MAYOR OF THE MUNICIPALITY
33 IN WHICH A MAJOR LEAGUE BASEBALL FACILITY THAT IS OWNED BY THE DISTRICT
34 AND THAT IS OPERATED BY THE DISTRICT OR THE PROFESSIONAL BASEBALL
35 FRANCHISE ORGANIZATION THAT OCCUPIES THE MAJOR LEAGUE BASEBALL FACILITY IS
36 LOCATED.

37 2. ONE MEMBER WHO IS APPOINTED BY THE CHAIRPERSON OF THE BOARD OF
38 SUPERVISORS OF THE COUNTY IN WHICH A MAJOR LEAGUE BASEBALL FACILITY THAT
39 IS OWNED BY THE DISTRICT AND THAT IS OPERATED BY THE DISTRICT OR THE
40 PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES THE MAJOR
41 LEAGUE BASEBALL FACILITY IS LOCATED.

42 3. ONE EX OFFICIO MEMBER WITHOUT THE POWER TO VOTE WHO REPRESENTS
43 THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES THE MAJOR
44 LEAGUE BASEBALL FACILITY THAT IS OWNED AND THAT IS OPERATED BY THE

1 DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES
2 THE MAJOR LEAGUE BASEBALL FACILITY AND WHO IS APPOINTED BY THE GOVERNOR.

3 4. FOUR MEMBERS WHO ARE RESIDENTS OF THE COUNTY IN WHICH A MAJOR
4 LEAGUE BASEBALL FACILITY THAT IS OWNED BY THE DISTRICT AND THAT IS
5 OPERATED BY THE DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
6 ORGANIZATION THAT OCCUPIES THE MAJOR LEAGUE BASEBALL FACILITY IS LOCATED
7 AND WHO HAVE EXPERIENCE IN CONSTRUCTION, REDEVELOPMENT, ARCHITECTURE,
8 ECONOMIC DEVELOPMENT OR COMMERCIAL OR PUBLIC FINANCE, TWO OF WHOM ARE
9 APPOINTED BY THE GOVERNOR, ONE OF WHOM IS APPOINTED BY THE PRESIDENT OF
10 THE SENATE AND ONE OF WHOM IS APPOINTED BY THE MINORITY LEADER OF THE
11 SENATE.

12 5. TWO MEMBERS WHO OWN BUSINESSES LOCATED WITHIN THREE MILES OF THE
13 MAJOR LEAGUE BASEBALL FACILITY THAT IS OWNED BY THE DISTRICT AND THAT IS
14 OPERATED BY THE DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
15 ORGANIZATION THAT OCCUPIES THE MAJOR LEAGUE BASEBALL FACILITY, ONE OF WHOM
16 IS APPOINTED BY THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND ONE OF
17 WHOM IS APPOINTED BY THE MINORITY LEADER OF THE HOUSE OF REPRESENTATIVES.

18 F. INITIAL MEMBERS OF THE BOARD APPOINTED PURSUANT TO SUBSECTION E
19 OF THIS SECTION SHALL BE APPOINTED BEFORE JANUARY 1, 2026. INITIAL MEMBERS
20 SHALL ASSIGN THEMSELVES TO STAGGERED TERMS OF TWO, THREE AND FOUR YEARS AT
21 THE FIRST MEETING OF THE BOARD, WITH THREE INITIAL MEMBERS SERVING INITIAL
22 TERMS OF TWO YEARS, THREE INITIAL MEMBERS SERVING INITIAL TERMS OF THREE
23 YEARS AND FOUR INITIAL MEMBERS SERVING INITIAL TERMS OF FOUR YEARS. ALL
24 SUBSEQUENT MEMBERS SERVE FOUR-YEAR TERMS. A MEMBER MAY BE REAPPOINTED FOR
25 ONE SUBSEQUENT FULL TERM. ALL VACANCIES SHALL BE FILLED WITHIN THIRTY
26 DAYS AFTER THE VACANCY OCCURS AND IN THE SAME MANNER AS THE INITIAL
27 APPOINTMENT. THE CHAIRPERSON OF THE BOARD SHALL NOTIFY THE GOVERNOR, THE
28 PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES OF
29 THE INITIAL TERMS.

30 G. The board of directors of a district established under
31 subsection B of this section shall consist of persons who are residents of
32 the county in which the district is located, at least four of whom must
33 reside in the municipality in which the district is located and who are
34 appointed as follows:

35 1. Five members who are appointed by the governor, each of whom
36 must have experience in commercial real estate, construction,
37 redevelopment, real estate law, architecture, economic development or
38 commercial or public finance. The governor may receive nominations for
39 appointment from any interested organization or person. Members appointed
40 by the governor serve at the pleasure of the governor.

41 2. Two members who are appointed by the president of the senate.
42 The members appointed by the president serve at the pleasure of the
43 president.

1 3. Two members who are appointed by the speaker of the house of
2 representatives. The members appointed by the speaker serve at the
3 pleasure of the speaker.

4 ~~F.~~ H. The board of directors of a district established under
5 subsection C of this section shall be established pursuant to an
6 intergovernmental agreement between the county and the Arizona board of
7 regents.

8 ~~G.~~ I. The directors of any district are not eligible for
9 compensation for their services but are eligible for reimbursement for
10 their necessary expenses in attending to and traveling on district
11 business.

12 ~~H.~~ J. The board of supervisors may pay the necessary costs
13 incurred in connection with establishing a countywide district from any
14 county monies available for that purpose. The municipalities may pay
15 their proportionate share of the necessary costs incurred in establishing
16 a district formed by two or more municipalities under subsection B of this
17 section from any monies available for that purpose. The Arizona board of
18 regents may pay the necessary costs incurred in connection with
19 establishing a district under subsection C of this section from any monies
20 available for that purpose.

21 ~~I.~~ K. Subject to limitations imposed by this chapter, by
22 intergovernmental agreement and by the ordinance or resolution authorizing
23 the formation of the district, the district is a tax levying public
24 improvement district and a political taxing subdivision of this state and
25 has all the powers, privileges and immunities granted generally to
26 municipal corporations for the purposes of implementing this chapter,
27 including eminent domain, as provided by section 48-4203, subsection A,
28 paragraph 7, and immunity of its property, bonds and interest on and
29 transfer of its bonds from taxation.

30 ~~J.~~ L. Notwithstanding any other law, on the termination of a
31 district established under subsection B of this section, the board of
32 directors shall dispose of the district's real property and improvements
33 as follows:

34 1. If the district leases property to a single lessee, the lessee
35 has the first right to acquire title to the property at its appraised
36 value. The board shall transmit all proceeds from the transaction to the
37 state treasurer for deposit in the public safety personnel retirement fund
38 established pursuant to title 38, chapter 5, article 4 for the purpose of
39 paying the unfunded accrued liability under the public safety personnel
40 retirement system.

41 2. If the district leases property to multiple lessees, each lessee
42 has the right to offer a bid to purchase the entire property at fair
43 market value, and the board shall accept the bid that will transfer and
44 terminate the district's title to the property. The board shall transmit
45 all proceeds from the transaction to the state treasurer for deposit in

1 the public safety personnel retirement fund established pursuant to title
2 38, chapter 5, article 4 for the purpose of paying the unfunded accrued
3 liability under the public safety personnel retirement system.

4 3. If the property is not conveyed pursuant to paragraph 1 or 2 of
5 this subsection within six months after the board of directors offers it
6 for disposal, but not later than the termination of the district,
7 whichever occurs first, the property escheats to the state land trust for
8 the benefit of the permanent state school fund pursuant to article XI,
9 section 8, Constitution of Arizona, and section 37-521.

10 Sec. 21. Section 48-4203, Arizona Revised Statutes, is amended to
11 read:

12 48-4203. Powers and duties of board of directors; reporting
13 requirements; conflict of interest

14 A. The board of directors, on behalf of the district, may:

15 1. Adopt and use a corporate seal.

16 2. Sue and be sued.

17 3. Enter into contracts, including intergovernmental agreements
18 under title 11, chapter 7, article 3, as necessary to carry out the
19 purposes and requirements of this chapter. The district may contract with
20 a county sports authority established under title 11, chapter 5 to carry
21 out any power of the district.

22 4. Adopt administrative rules as necessary to administer and
23 operate the district and any property under its jurisdiction.

24 5. Adopt rules that allow weighted voting by board members and
25 establish conditions for terminating the district.

26 6. Employ an executive director and administrative and clerical
27 employees, or contract for other management personnel, and prescribe the
28 terms and conditions of their employment as necessary to carry out the
29 purposes of the district.

30 7. Acquire by any lawful means and operate, maintain, encumber and
31 dispose of real and personal property and interests in property. A
32 district established under section 48-4202, subsection A IN A COUNTY WITH
33 A POPULATION OF LESS THAN ONE MILLION FIVE HUNDRED THOUSAND PERSONS may
34 acquire real property by eminent domain. A district established under
35 section 48-4202, SUBSECTION A IN A COUNTY WITH A POPULATION OF ONE MILLION
36 FIVE HUNDRED THOUSAND PERSONS OR MORE OR SECTION 48-4202, subsection B
37 shall not acquire real property by eminent domain. A district established
38 under section 48-4202, subsection C shall not acquire or own real property
39 or interests in real property.

40 8. Administer trusts declared or established for the district,
41 receive and hold in trust or otherwise property located in or out of this
42 state and, if not otherwise provided, dispose of the property for the
43 benefit of the district.

44 9. Retain legal counsel and other consultants as necessary to carry
45 out the purposes of the district.

1 B. The board of directors, on behalf of a district established
2 pursuant to section 48-4202, subsection B, may:

3 1. Use revenues paid to the district pursuant to section 42-5031
4 and other revenues the district may receive from other sources, for the
5 purposes set forth in section 48-4204, subsection B.

6 2. Enter into agreements with developers, contractors, tenants and
7 other users of all or part of a multipurpose facility as determined
8 appropriate.

9 3. Pledge all or part of the revenues described in section 42-5031,
10 subsection B to secure the district's bonds or other financial obligations
11 issued or incurred under this chapter for the construction of all or part
12 of a multipurpose facility.

13 C. The board of directors of a district established pursuant to
14 section 48-4202, subsection B shall provide public outreach and education
15 on the purpose and activities of the district, including:

16 1. Presentations to the governing bodies of the municipalities in
17 the county in which the district is located.

18 2. Presentations to community, civic and business organizations.

19 3. Printed or electronic materials that support the purposes of
20 this subsection.

21 D. The board of directors shall:

22 1. Appoint from among its members a ~~chairman~~ CHAIRPERSON, a
23 secretary and such other officers as may be necessary to conduct its
24 business. The board of directors may appoint the chief financial officer
25 of the county as the district treasurer of a countywide district
26 established under section 48-4202, subsection A **IN A COUNTY WITH A**
27 **POPULATION OF LESS THAN ONE MILLION FIVE HUNDRED THOUSAND PERSONS.** If the
28 board does not appoint the chief financial officer, the county treasurer
29 is designated ex officio as the treasurer. The board of directors of a
30 district that is established pursuant to section 48-4202, subsection **A IN**
31 **A COUNTY WITH A POPULATION OF ONE MILLION FIVE HUNDRED THOUSAND PERSONS OR**
32 **MORE OR SECTION 48-4202, SUBSECTION B** shall designate a member of the
33 board with financial management or accounting experience or a person with
34 whom the board has contracted for financial management as treasurer of the
35 district. The county treasurer is designated ex officio as the treasurer
36 of a district that is established pursuant to section 48-4202,
37 subsection C.

38 2. Keep and maintain a complete and accurate record of all its
39 proceedings. All proceedings and records of the board shall be open to
40 the public as required by title 38, chapter 3, article 3.1 and title 39,
41 chapter 1.

42 3. Provide for the use, maintenance and operation of the properties
43 and interests controlled by the district.

1 E. The board of directors of a district that is established
2 pursuant to section 48-4202, subsection B shall:

3 1. Determine by agreement the distribution of revenues from
4 operating and using the multipurpose facilities among the municipalities
5 and any participating Indian tribe or community.

6 2. Report to the legislature by October 1 of each year regarding
7 the activities, operations, revenues and expenditures of the district for
8 the immediately preceding fiscal year. The board shall submit the annual
9 report to the president of the senate and the speaker of the house of
10 representatives and provide a copy of the report to the secretary of
11 state. At the discretion of the chairpersons of the senate finance
12 committee and the house of representatives ways and means committee, or
13 their successor committees, the committees may hold separate or joint
14 hearings to consider the annual report prepared by the district.

15 3. Present to the joint legislative committee on capital review
16 each project for the construction or reconstruction of any facility,
17 structure, infrastructure or other improvement to real property of any
18 kind in an amount exceeding ~~five hundred thousand dollars~~ \$500,000.

19 F. THE BOARD OF DIRECTORS OF A DISTRICT THAT IS ESTABLISHED
20 PURSUANT TO SECTION 48-4202, SUBSECTION A IN A COUNTY WITH A POPULATION OF
21 MORE THAN ONE MILLION FIVE HUNDRED THOUSAND PERSONS:

22 1. MAY ENTER INTO AGREEMENTS WITH CONTRACTORS, TENANTS AND OTHER
23 USERS OF ALL OR PART OF THE MAJOR LEAGUE BASEBALL FACILITY OR ANY ADJACENT
24 BUILDING THAT IS OWNED BY THE DISTRICT AND OPERATED BY THE DISTRICT OR THE
25 PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES THE MAJOR
26 LEAGUE BASEBALL FACILITY OR ADJACENT BUILDING AS DETERMINED APPROPRIATE,
27 INCLUDING AGREEMENTS FOR RECONSTRUCTING, EQUIPPING, REPAIRING, MAINTAINING
28 OR IMPROVING THE MAJOR LEAGUE BASEBALL FACILITY OR ADJACENT BUILDING.

29 2. ON OR BEFORE NOVEMBER 1 OF EACH YEAR THROUGH 2055, SHALL REPORT
30 TO THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE GOVERNOR'S OFFICE OF
31 STRATEGIC PLANNING AND BUDGETING REGARDING ALL NEW PROJECTS FOR
32 RECONSTRUCTING, EQUIPPING, REPAIRING, MAINTAINING OR IMPROVING A MAJOR
33 LEAGUE BASEBALL FACILITY OR ANY ADJACENT BUILDING THAT IS PAID FOR BY THE
34 DISTRICT FROM THE COUNTY STADIUM DISTRICT FUND ESTABLISHED PURSUANT TO
35 SECTION 48-4231. THE REPORT SHALL INDICATE WHICH PROJECTS THE
36 PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION CONTRIBUTED MONIES TOWARD AND
37 THE AMOUNT OF THE CONTRIBUTION.

38 ~~F.~~ G. The directors, officers and employees of the district are
39 subject to title 38, chapter 3, article 8 relating to conflicts of
40 interest.

41 ~~G.~~ H. This state and political subdivisions of this state other
42 than the district are not liable for any financial or other obligations of
43 the district and the financial or other obligations do not constitute a
44 debt or liability of this state or any political subdivision of this
45 state, other than the district.

1 Sec. 22. Section 48-4231, Arizona Revised Statutes, is amended to
2 read:

3 ~~48-4231.~~ County stadium district fund

4 A. The district treasurer shall maintain a county stadium district
5 fund consisting of all monies received by the district, including:

6 1. Payments received from leasing, subleasing or renting property
7 owned, leased or controlled by the district.

8 2. Revenues received by the district from admissions and
9 concessions and other proceeds from events held at a stadium owned or
10 leased by the district.

11 3. Monies received from issuing and selling bonds under article 3
12 of this chapter.

13 4. FOR A DISTRICT ESTABLISHED PURSUANT TO SECTION 48-4202,
14 SUBSECTION A IN A COUNTY WITH A POPULATION OF ONE MILLION FIVE HUNDRED
15 THOUSAND PERSONS OR MORE, MONIES TRANSMITTED PURSUANT TO SECTION 42-1116,
16 SUBSECTION D AND SECTIONS 42-5032.03, 42-6018 AND 42-6113. ANY
17 INDIVIDUAL, INCLUDING AN EMPLOYEE OF A PROFESSIONAL BASEBALL FRANCHISE
18 ORGANIZATION, IS SUBJECT TO TITLE 38, CHAPTER 3, ARTICLE 8 RELATING TO
19 CONFLICTS OF INTEREST FOR THE PURPOSES OF SPENDING THE MONIES DESCRIBED IN
20 THIS PARAGRAPH.

21 ~~4.~~ 5. Interest and other income received from investing monies in
22 the fund.

23 ~~5.~~ 6. Gifts, grants and donations received for that purpose from
24 any public or private source.

25 B. EXCEPT AS PROVIDED IN SUBSECTION C OF THIS SECTION, monies in
26 the fund may be used for any lawful purpose of the district.

27 C. FOR A DISTRICT ESTABLISHED PURSUANT TO SECTION 48-4202,
28 SUBSECTION A IN A COUNTY WITH A POPULATION OF ONE MILLION FIVE HUNDRED
29 THOUSAND PERSONS OR MORE, MONIES TRANSMITTED TO THE FUND PURSUANT TO
30 SECTION 42-1116, SUBSECTION D AND SECTIONS 42-5032.03, 42-6018 AND 42-6113
31 MAY BE USED ONLY FOR CAPITAL REPAIRS, RECONSTRUCTION, REPLACEMENT,
32 MAINTENANCE AND IMPROVEMENTS TO THE INFRASTRUCTURE OF A MAJOR LEAGUE
33 BASEBALL FACILITY AND ANY ADJACENT BUILDING THAT IS OWNED BY THE DISTRICT
34 AND OPERATED BY THE DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
35 ORGANIZATION THAT OCCUPIES THE MAJOR LEAGUE BASEBALL FACILITY OR ADJACENT
36 BUILDING. FOR THE PURPOSES OF THIS SUBSECTION, "INFRASTRUCTURE":

37 1. INCLUDES:

38 (a) MECHANICAL, ELECTRICAL AND PLUMBING SYSTEMS.

39 (b) HEATING, VENTILATION AND AIR CONDITIONING SYSTEMS.

40 (c) BUILDING STRUCTURAL ELEMENTS, SUCH AS THE ROOF.

41 (d) VERTICAL CIRCULATION AND CONCOURSE CIRCULATION.

42 (e) ESSENTIAL BUILDING COMPONENTS, SUCH AS THE COMMISSARY.

43 (f) SPACES THAT ARE REQUIRED FOR PARTICIPATION IN A NATIONWIDE
44 MAJOR LEAGUE BASEBALL LEAGUE. THE USE OF MONIES FOR THE PURPOSES

1 PRESCRIBED BY THIS SUBDIVISION REQUIRES APPROVAL OF THE BOARD BY A
2 TWO-THIRDS VOTE.

3 (g) HEALTH-RELATED AND SAFETY-RELATED REPAIRS AND IMPROVEMENTS.

4 (h) BUILDING SECURITY-RELATED REPAIRS AND IMPROVEMENTS.

5 (i) BUILDING TECHNOLOGY INFRASTRUCTURE.

6 (j) STANDARD, UPGRADED AND ACCESSIBLE SEATING AND
7 STANDING-ROOM-ONLY AREAS.

8 2. DOES NOT INCLUDE POOL SUITES, SUITES OR CLUB SEATING.

9 ~~D.~~ D. The district treasurer may invest any unexpended monies in
10 the fund as provided in title 35, chapter 2. Notwithstanding section
11 35-323, the district treasurer may invest and reinvest monies in the fund,
12 other than operating fund monies, in eligible investments with a maturity
13 of greater than five years. Interest and other income from investments
14 shall be credited to the fund. The district treasurer shall invest the
15 monies so as to mature at the times when the fund assets will be required
16 for the purposes of this article. If the liquid assets in the fund become
17 insufficient to meet the district's obligations, the board of directors
18 shall direct the district treasurer to liquidate sufficient securities to
19 meet all of the current obligations and immediately notify the auditor
20 general of the insufficiency, and the auditor general shall investigate
21 and audit the circumstances surrounding the depletion of the fund and
22 report the auditor general's findings to the board.

23 ~~E.~~ E. Except as provided by section 48-4231.01, the board of
24 directors shall cause an annual audit to be conducted of the fund by an
25 independent certified public accountant within one hundred twenty days
26 after the end of the fiscal year. The board shall immediately file a
27 certified copy of the audit with the auditor general. The auditor general
28 may make such further audits and examinations as the auditor general deems
29 necessary, but if the auditor general takes no official action within
30 thirty days after the audit is filed, the audit is deemed sufficient. The
31 board of directors shall pay all fees and costs of the certified public
32 accountant and auditor general under this subsection from the fund.

33 Sec. 23. Title 48, chapter 26, article 2, Arizona Revised Statutes,
34 is amended by adding section 48-4238, to read:

35 48-4238. Transmittal limit; annual adjustment; notice;
36 penalty; revenue return; deposit and distribution
37 of penalty

38 A. SUBJECT TO SUBSECTION B OF THIS SECTION, THE TOTAL AMOUNT OF
39 MONIES TRANSMITTED PURSUANT TO SECTION 42-1116, SUBSECTION D AND SECTIONS
40 42-5032.03, 42-6018 AND 42-6113 MAY NOT EXCEED \$500,000,000.

41 B. BEGINNING FROM AND AFTER DECEMBER 31, 2026 THROUGH DECEMBER 31,
42 2055, THE DISTRICT TREASURER SHALL ANNUALLY INCREASE THE LIMIT PRESCRIBED
43 IN SUBSECTION A OF THIS SECTION BY THREE PERCENT.

1 C. IF THE LIMIT PRESCRIBED IN SUBSECTION A OF THIS SECTION, AS
2 INCREASED PURSUANT TO SUBSECTION B OF THIS SECTION, IS MET, THE DISTRICT
3 TREASURER SHALL NOTIFY THE STATE TREASURER, THE CITY OR TOWN IN WHICH THE
4 MAJOR LEAGUE BASEBALL FACILITY IS LOCATED AND THE DEPARTMENT OF REVENUE.
5 ON RECEIPT OF THE NOTICE, THE STATE TREASURER, THE CITY OR TOWN IN WHICH
6 THE MAJOR LEAGUE BASEBALL FACILITY IS LOCATED AND THE DEPARTMENT OF
7 REVENUE SHALL STOP TRANSMITTING MONIES PURSUANT TO SECTION 42-1116,
8 SUBSECTION D AND SECTIONS 42-5032.03, 42-6018 AND 42-6113.

9 D. THE DISTRICT TREASURER SHALL RETURN ANY MONIES TRANSMITTED
10 PURSUANT TO SECTION 42-1116, SUBSECTION D AND SECTIONS 42-5032.03, 42-6018
11 AND 42-6113 OVER THE LIMIT PRESCRIBED IN SUBSECTION A OF THIS SECTION, AS
12 INCREASED PURSUANT TO SUBSECTION B OF THIS SECTION, TO THE TAXING
13 JURISDICTION FROM WHICH THE MONIES WERE GENERATED.

14 E. IF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT ON OR
15 BEFORE THE EFFECTIVE DATE OF THIS SECTION OCCUPIES THE MAJOR LEAGUE
16 BASEBALL FACILITY OWNED BY THE DISTRICT AND OPERATED BY THE DISTRICT OR
17 THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION LEAVES THE MAJOR LEAGUE
18 BASEBALL FACILITY, THE DISTRICT TREASURER SHALL:

19 1. NOTIFY THE STATE TREASURER AND THE DEPARTMENT OF REVENUE THAT
20 THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION LEFT THE MAJOR LEAGUE
21 BASEBALL FACILITY. ON RECEIVING THE NOTICE:

22 (a) THE STATE TREASURER AND THE CITY OR TOWN IN WHICH THE MAJOR
23 LEAGUE BASEBALL FACILITY IS LOCATED MAY NOT CONTINUE TO TRANSMIT MONIES
24 PURSUANT TO SECTION 42-1116, SUBSECTION D AND SECTIONS 42-5032.03, 42-6018
25 AND 42-6113.

26 (b) THE STATE TREASURER SHALL ASSESS A PENALTY AGAINST THE
27 PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION IN AN AMOUNT AS FOLLOWS:

28 (i) \$10,000,000 IF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION
29 LEAVES THE MAJOR LEAGUE BASEBALL FACILITY ON OR BEFORE OCTOBER 1, 2035.

30 (ii) \$5,000,000 IF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION
31 LEAVES THE MAJOR LEAGUE BASEBALL FACILITY ON OR AFTER OCTOBER 2, 2035 AND
32 ON OR BEFORE OCTOBER 1, 2045.

33 (iii) \$1,000,000 IF THE PROFESSIONAL BASEBALL FRANCHISE
34 ORGANIZATION LEAVES THE MAJOR LEAGUE BASEBALL FACILITY ON OR AFTER OCTOBER
35 2, 2045 AND BEFORE OCTOBER 1, 2050.

36 (c) THE DEPARTMENT OF REVENUE SHALL STOP SEPARATELY ACCOUNTING FOR
37 THE REVENUES THAT WERE SUBJECT TO TRANSMITTAL PURSUANT TO SECTION 42-1116,
38 SUBSECTION D AND SECTIONS 42-5032.03, 42-6018 AND 42-6113.

39 2. RETURN ANY REMAINING MONIES TRANSMITTED PURSUANT TO SECTION
40 42-1116, SUBSECTION D AND SECTIONS 42-5032.03, 42-6018 AND 42-6113 THAT
41 ARE UNEXPENDED AND UNENCUMBERED TO THE TAXING JURISDICTION FROM WHICH THE
42 MONIES WERE GENERATED.

43 F. THE STATE TREASURER SHALL DEPOSIT, PURSUANT TO SECTIONS 35-146
44 AND 35-147, FIFTY PERCENT OF THE AMOUNT OF THE PENALTY ASSESSED PURSUANT
45 TO SUBSECTION E, PARAGRAPH 1, SUBDIVISION (b) OF THIS SECTION IN THE STATE

1 GENERAL FUND AND SHALL DISTRIBUTE TWENTY-FIVE PERCENT OF THE AMOUNT OF THE
2 PENALTY TO THE COUNTY IN WHICH THE MAJOR LEAGUE BASEBALL FACILITY IS
3 LOCATED AND TWENTY-FIVE PERCENT OF THE AMOUNT OF THE PENALTY TO THE CITY
4 OR TOWN IN WHICH THE MAJOR LEAGUE BASEBALL FACILITY IS LOCATED.

5 G. THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION SHALL PAY ANY
6 REMAINING DEBTS OF THE DISTRICT RELATING TO PROJECTS FOR RECONSTRUCTING,
7 EQUIPPING, REPAIRING, MAINTAINING OR IMPROVING THE MAJOR LEAGUE BASEBALL
8 FACILITY OR ANY ADJACENT BUILDING THAT WOULD HAVE BEEN PAID FOR BY THE
9 COUNTY STADIUM DISTRICT FUND ESTABLISHED PURSUANT TO SECTION 48-4231 IF
10 EITHER OF THE FOLLOWING OCCURS:

11 1. THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT ON OR
12 BEFORE THE EFFECTIVE DATE OF THIS SECTION OCCUPIES THE MAJOR LEAGUE
13 BASEBALL FACILITY THAT IS OWNED BY THE DISTRICT AND THAT IS OPERATED BY
14 THE DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION LEAVES
15 THE MAJOR LEAGUE BASEBALL FACILITY.

16 2. THE LEGISLATURE REPEALS THE TRANSMITTAL OF MONIES PURSUANT TO
17 SECTION 42-1116, SUBSECTION D AND SECTIONS 42-5032.03, 42-6018 AND 42-6113
18 BEFORE JANUARY 1, 2056 DUE TO THE FAILURE OF THE PROFESSIONAL BASEBALL
19 FRANCHISE ORGANIZATION TO CONTRIBUTE FINANCIALLY TO RECONSTRUCTING,
20 EQUIPPING, REPAIRING, MAINTAINING OR IMPROVING THE MAJOR LEAGUE BASEBALL
21 FACILITY OR ANY ADJACENT BUILDING.

22 Sec. 24. Delayed repeal

23 Section 48-4238, Arizona Revised Statutes, as added by this act, is
24 repealed from and after December 31, 2055.

25 Sec. 25. Title 48, chapter 26, article 2, Arizona Revised Statutes,
26 is amended by adding section 48-4239, to read:

27 48-4239. Conveyance of real property and improvements

28 IF ANY OF THE FOLLOWING APPLIES TO AN ENTITY OR INDIVIDUAL, OR ANY
29 SUCCESSOR IN INTEREST TO THE ENTITY OR INDIVIDUAL, THAT USES A MAJOR
30 LEAGUE BASEBALL FACILITY THAT IS OWNED BY A DISTRICT PURSUANT TO THIS
31 CHAPTER AND OPERATED BY THE DISTRICT OR THE PROFESSIONAL BASEBALL
32 FRANCHISE ORGANIZATION THAT OCCUPIES THE MAJOR LEAGUE BASEBALL FACILITY,
33 OWNERSHIP OF THE REAL PROPERTY AND ANY IMPROVEMENTS TO REAL PROPERTY FOR
34 THE DISTRICT ARE IMMEDIATELY AND IRREVOCABLY CONVEYED TO THE MUNICIPALITY
35 IN WHICH THE DISTRICT IS LOCATED, AT NO COST TO THE MUNICIPALITY:

36 1. THE ENTITY OR INDIVIDUAL, OR ANY SUCCESSOR IN INTEREST TO THE
37 ENTITY OR INDIVIDUAL, TERMINATES ANY LEASE OR OTHER AGREEMENT WITH THE
38 DISTRICT FOR USE OF THE MAJOR LEAGUE BASEBALL FACILITY THAT IS OWNED BY
39 THE DISTRICT PURSUANT TO THIS CHAPTER AND OPERATED BY THE DISTRICT OR THE
40 PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES THE MAJOR
41 LEAGUE BASEBALL FACILITY, REGARDLESS OF WHETHER THE LEASE OR OTHER
42 AGREEMENT PERTAINS TO THE USE OF THE MAJOR LEAGUE BASEBALL FACILITY.

43 2. ANY LEASE OR OTHER AGREEMENT BETWEEN THE ENTITY OR INDIVIDUAL,
44 OR ANY SUCCESSOR IN INTEREST TO THE ENTITY OR INDIVIDUAL, AND THE DISTRICT
45 FOR THE USE OF THE MAJOR LEAGUE BASEBALL FACILITY THAT IS OWNED BY THE

1 DISTRICT PURSUANT TO THIS CHAPTER AND OPERATED BY THE DISTRICT OR THE
2 PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES THE MAJOR
3 LEAGUE BASEBALL FACILITY EXPIRES, REGARDLESS OF WHETHER THE DISTRICT AND
4 THE ENTITY OR INDIVIDUAL WERE NEGOTIATING AN EXTENSION TO THE EXISTING
5 LEASE OR OTHER AGREEMENT OR NEGOTIATING A NEW LEASE OR OTHER AGREEMENT.

6 3. THE DISTRICT GIVES UP ANY OWNERSHIP INTEREST OF THE MAJOR LEAGUE
7 BASEBALL FACILITY THAT IS OWNED BY THE DISTRICT PURSUANT TO THIS CHAPTER
8 AND OPERATED BY THE DISTRICT OR THE PROFESSIONAL BASEBALL FRANCHISE
9 ORGANIZATION THAT OCCUPIES THE MAJOR LEAGUE BASEBALL FACILITY.

10 Sec. 26. Legislative intent

11 The legislature intends that the professional baseball franchise
12 organization that occupies the major league baseball facility and adjacent
13 buildings that are owned by the county stadium district pursuant to title
14 48, chapter 26, Arizona Revised Statutes, and operated by the district or
15 the professional baseball franchise organization will contribute at least
16 \$250,000,000 of the professional baseball franchise organization's own
17 monies for the purposes of reconstructing, equipping, repairing,
18 maintaining or improving the major league baseball facility and the
19 adjacent buildings.

APPROVED BY THE GOVERNOR JUNE 27, 2025.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 27, 2025.