

PROPOSED
HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2704
(Reference to printed bill)

Amendment instruction key:

[GREEN UNDERLINING IN BRACKETS] indicates text added to statute or previously enacted session law.
[Green underlining in brackets] indicates text added to new session law or text restoring existing law.
~~[GREEN STRIKEOUT IN BRACKETS]~~ indicates new text removed from statute or previously enacted session law.
~~[Green strikeout in brackets]~~ indicates text removed from existing statute, previously enacted session law or new session law.
<<Green carets>> indicate a section added to the bill.
~~<<Green strikeout in carets>>~~ indicates a section removed from the bill.

1 The bill as proposed to be amended is reprinted as follows:

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.

1 C. A person who issues a special ninety day nonresident
2 registration permit shall affix or insert, clearly and indelibly, on the
3 face of each permit the dates of issuance and expiration and the make and
4 vehicle identification number of the vehicle. The special ninety day
5 nonresident registration permit shall not bear the name or address of the
6 person who purchased the vehicle in a position that is legible from
7 outside of the vehicle.

8 D. A dealer or authorized third party who issues a special ninety
9 day nonresident registration permit shall maintain a record, in a form
10 prescribed by the director, of all special ninety day nonresident
11 registration permits issued by the dealer or authorized third party and a
12 record of other information pertaining to the issuance of special ninety
13 day nonresident registration permits that the department of transportation
14 or the department of revenue requires.

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

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

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

24 H. If a purchaser registers the vehicle in this state within three
25 hundred sixty-five days after the issuance of the special ninety day
26 nonresident registration permit, the purchaser is liable in an amount
27 equal to any tax, penalty and interest that the motor vehicle dealer or
28 authorized third party would have been required to pay under title 42,
29 chapter 5 and under articles IV and VI of the model city tax code as
30 defined in section 42-6051. At the time of issuing the special ninety day
31 nonresident registration permit, a motor vehicle dealer or authorized
32 third party shall inform the purchaser in writing of the purchaser's
33 liability described in this section. Subsequent registration or use of
34 the vehicle in this state does not create a cause of action against a
35 dealer or authorized third party that complies with section 28-2154,
36 subsection A, this section and section 42-5009, subsection H.

37 I. The department of transportation and the department of revenue
38 shall jointly develop and prescribe forms for the motor vehicle dealer,
39 the authorized third party and the purchaser to complete for the proper
40 administration and enforcement of this section.

41 J. Compliance with this section and section 28-2154 allows delivery
42 of the vehicle to a nonresident purchaser in this state and retains the
43 applicable deductions pursuant to section 42-5061, subsection A, paragraph
44 28 and subsection ~~H~~ V.

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

47 42-1116. Disposition of tax revenues

1 A. The department of revenue shall promptly deposit, pursuant to
2 sections 35-146 and 35-147, all monies it collects from the taxes
3 administered pursuant to this article except the telecommunication
4 services excise tax, separately accounting for each type of tax and each
5 tax classification within each type of tax. At the same time the
6 department of revenue shall also furnish copies of the transmittal
7 schedules to the director of the department of administration.

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

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

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

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

19 4. Amounts sufficient to meet the requirements of section 42-3104
20 to the corrections fund.

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

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

24 C. From the monies and remittances received under this section,
25 each month beginning July 2001 the state treasurer shall transmit to the
26 tourism and sports authority, established by title 5, chapter 8, for
27 deposit in its facility revenue clearing account established by section
28 5-834 one-twelfth of the amount reported by the department pursuant to
29 section 43-209.

30 D. FROM THE MONIES AND REMITTANCES RECEIVED UNDER THIS SECTION,
31 EACH YEAR BEGINNING JULY 1, 2026, THE STATE TREASURER SHALL TRANSMIT TO
32 THE COUNTY STADIUM DISTRICT ESTABLISHED PURSUANT TO TITLE 48, CHAPTER 26
33 FOR DEPOSIT IN THE COUNTY STADIUM DISTRICT FUND ESTABLISHED PURSUANT TO
34 SECTION 48-4231 THE AMOUNT REPORTED BY THE DEPARTMENT PURSUANT TO SECTION
35 43-209, SUBSECTION D FOR THE PRIOR TAXABLE YEAR.

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

38 42-5008.01. Liability for amounts equal to retail transaction
39 privilege tax due

40 A. A person that is either a prime contractor subject to tax under
41 section 42-5075 or a subcontractor working under the control of such a
42 prime contractor, that purchases tangible personal property, the purchase
43 price of which was excluded from the tax base under the retail
44 classification under section 42-5061, subsection A, paragraph 27 or was
45 excluded from the use tax under section 42-5159, subsection A, paragraph
46 13, subdivision (g) at the time of purchase, and that incorporates or
47 fabricates the tangible personal property into a project described in

1 section 42-5075, subsection ~~⊖~~ P is liable for an amount equal to any tax
2 that a seller would have been required to pay under section 42-5061 and
3 this article as follows:

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

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

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

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

17 5. The person is not liable for the amount if the contractor who
18 hired the person executes and provides to the person a certificate stating
19 that the contractor providing the certificate is liable for any amount due
20 under this subsection. The department shall prescribe the form of the
21 certificate. If the person has reason to believe that the information
22 contained on the certificate is erroneous or incomplete, the department
23 may disregard the certificate. The contractor providing the certificate
24 is liable for the amount that otherwise would be due from the person under
25 this subsection.

26 B. A person that purchased tangible personal property, the purchase
27 price of which was excluded from the tax base under section 42-5061,
28 subsection A, paragraph 27 or was excluded from the use tax under section
29 42-5159, subsection A, paragraph 13, subdivision (g) at the time of
30 purchase, that subsequently cancels its transaction privilege tax license
31 and that uses, consumes, sells or discards the tangible personal property
32 is liable for an amount of tax determined under this subsection. For the
33 purposes of this subsection:

34 1. If the tangible personal property is incorporated or fabricated
35 into a project described in section 42-5075, subsection ~~⊖~~ P, or otherwise
36 used or consumed by the person, the amount of liability shall be
37 calculated and reported based on the person's purchase price of the
38 tangible personal property, the location of the project, use or
39 consumption and the taxes imposed under this chapter and chapter 6 of this
40 title.

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

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

4 4. The amount of liability shall be reported on or before the
5 business day preceding the last business day of the month following the
6 month in which the person uses the tangible personal property in a manner
7 described in paragraph 1 or 2 of this subsection. No amount is due under
8 this subsection at any time that the person stores the tangible personal
9 property without using it in a manner described in paragraph 1 or 2 of
10 this subsection.

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

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

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

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

33 D. If a person has paid an amount described in this section on
34 tangible personal property that the person reasonably believed to be
35 described ~~IN~~ section 42-5075, subsection ~~⊖~~ P and a final determination is
36 made that section 42-5075, subsection ~~⊖~~ P does not apply, the person is
37 entitled to an offset for the amount paid under this section against the
38 amount of tax liability assessed under this chapter and chapter 6 of this
39 title.

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

42 42-5009. Certificates establishing deductions; liability for
43 making false certificate; tax exclusion;
44 definitions

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

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

4 2. Obtaining a certificate executed by the purchaser indicating the
5 name and address of the purchaser, the precise nature of the business of
6 the purchaser, the purpose for which the purchase was made, the necessary
7 facts to establish the appropriate deduction and the tax license number of
8 the purchaser to the extent the deduction depends on the purchaser
9 conducting business classified under article 2 of this chapter and a
10 certification that the person executing the certificate is authorized to
11 do so on behalf of the purchaser. The certificate may be disregarded if
12 the seller has reason to believe that the information contained in the
13 certificate is not accurate or complete.

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

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

24 D. If a seller is entitled to a deduction by complying with
25 subsection A of this section, the department may require the purchaser
26 that caused the execution of the certificate to establish the accuracy and
27 completeness of the information required to be contained in the
28 certificate that would entitle the seller to the deduction. If the
29 purchaser cannot establish the accuracy and completeness of the
30 information, the purchaser is liable in an amount equal to any tax,
31 penalty and interest that the seller would have been required to pay under
32 this article if the seller had not complied with subsection A of this
33 section. Payment of the amount under this subsection exempts the
34 purchaser from liability for any tax imposed under article 4 of this
35 chapter. The amount shall be treated as tax revenues collected from the
36 seller in order to designate the distribution base for purposes of section
37 42-5029.

38 E. If a seller is entitled to a deduction by complying with
39 subsection B of this section, the department may require the purchaser to
40 establish the accuracy and completeness of the information provided to the
41 seller that entitled the seller to the deduction. If the purchaser cannot
42 establish the accuracy and completeness of the information, the purchaser
43 is liable in an amount equal to any tax, penalty and interest that the
44 seller would have been required to pay under this article if the seller
45 had not complied with subsection B of this section. Payment of the amount
46 under this subsection exempts the purchaser from liability for any tax
47 imposed under article 4 of this chapter. The amount shall be treated as

1 tax revenues collected from the seller in order to designate the
2 distribution base for purposes of section 42-5029.

3 F. The department may prescribe a form for a certificate used to
4 establish entitlement to the deductions described in section 42-5061,
5 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3.
6 Under rules the department may prescribe, the department may also require
7 additional information for the seller to be entitled to the deduction. If
8 a seller is entitled to the deductions described in section 42-5061,
9 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3,
10 the department may require the purchaser who executed the certificate to
11 establish the accuracy and completeness of the information contained in
12 the certificate that would entitle the seller to the deduction. If the
13 purchaser cannot establish the accuracy and completeness of the
14 information, the purchaser is liable in an amount equal to any tax,
15 penalty and interest that the seller would have been required to pay under
16 this article. Payment of the amount under this subsection exempts the
17 purchaser from liability for any tax imposed under article 4 of this
18 chapter. The amount shall be treated as tax revenues collected from the
19 seller in order to designate the distribution base for purposes of section
20 42-5029.

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

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

44 1. A valid certificate as prescribed by this subsection completed
45 by the purchaser and obtained before the issuance of the nonresident
46 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 ~~H~~ 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,
46 subdivision (b). A prime contractor shall obtain the certificate from the
47 department and shall provide a copy to any such person working on the

1 project. The prime contractor shall obtain a new certificate for each
2 project to which this subsection applies. For the purposes of this
3 subsection, the following apply:

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

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

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

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

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

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

31 2. Persons who are engaged in the business of producing livestock
32 or poultry commercially.

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

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

45 P. Notwithstanding any other law, an online lodging operator, as
46 defined in section 42-5076, shall be entitled to an exclusion from any
47 applicable taxes for any online lodging transaction, as defined in section

1 42-5076, facilitated by an online lodging marketplace, as defined in
2 section 42-5076, for which the online lodging operator has obtained from
3 the online lodging marketplace written notice that the online lodging
4 marketplace is registered with the department to collect applicable taxes
5 for all online lodging transactions facilitated by the online lodging
6 marketplace, and transaction history documenting tax collected by the
7 online lodging marketplace, pursuant to section 42-5005, subsection L.

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

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

37 2. If the aircraft is sold during the recapture period, the seller
38 is not liable for the amount determined pursuant to this subsection unless
39 the operational control of the aircraft had not been transferred for at
40 least fifty percent of the aircraft's flight hours at the time of the
41 sale.

42 R. Notwithstanding any other law, a shared vehicle owner is
43 entitled to an exclusion from any applicable taxes for a shared vehicle
44 transaction that is facilitated by a peer-to-peer car sharing program and
45 for which the peer-to-peer car sharing program has collected and remitted
46 applicable taxes.

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

6 1. Apply to the department for the exemption letter and fully
7 answer any eligibility questions required by the department for the
8 purposes of the exemption letter. If the department approves the
9 exemption letter application, the exemption letter is valid until the
10 entity is no longer qualified for the exemption letter.

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

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

25 Sec. 5. Section 42-5029, Arizona Revised Statutes, is amended to
26 read:

27 42-5029. Remission and distribution of monies; withholding;
28 definition

29 A. The department shall deposit, pursuant to sections 35-146 and
30 35-147, all revenues collected under this article and articles 4, 5 and 8
31 of this chapter pursuant to section 42-1116, separately accounting for:

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

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

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

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

39 5. Revenues collected pursuant to section 42-5010.01 and section
40 42-5155, subsection E.

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

43 B. The department shall credit payments of estimated tax to an
44 estimated tax clearing account and each month shall transfer all monies in
45 the estimated tax clearing account to a fund designated as the transaction
46 privilege and severance tax clearing account. The department shall credit
47 all other payments to the transaction privilege and severance tax clearing

1 account, separately accounting for the monies designated as distribution
2 base under sections 42-5010, 42-5164 and 42-5205. Each month the
3 department shall report to the state treasurer the amount of monies
4 collected pursuant to this article and articles 4, 5 and 8 of this
5 chapter.

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

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

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

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

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

23 (b) The proportion that the distribution base monies collected
24 during the calendar month in each county under this article, section
25 42-5164, subsection B and section 42-5205, subsection B bear to the total
26 distribution base monies collected under this article, section 42-5164,
27 subsection B and section 42-5205, subsection B throughout the state for
28 the calendar month.

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

31 (a) Average the following proportions:

32 (i) The proportion that the assessed valuation used to determine
33 secondary property taxes of each county, after deducting that part of the
34 assessed valuation that is exempt from taxation at the beginning of the
35 month for which the amount is to be paid, bears to the total assessed
36 valuations used to determine secondary property taxes of all the counties
37 after deducting that portion of the assessed valuations that is exempt
38 from taxation at the beginning of the month for which the amount is to be
39 paid. Property of a city or town that is not within or contiguous to the
40 municipal corporate boundaries and from which water is or may be withdrawn
41 or diverted and transported for use on other property is considered to be
42 taxable property in the county for purposes of determining assessed
43 valuation in the county under this item.

44 (ii) The proportion that the distribution base monies collected
45 during the calendar month in each county under this article, section
46 42-5164, subsection B and section 42-5205, subsection B bear to the total
47 distribution base monies collected under this article, section 42-5164,

1 subsection B and section 42-5205, subsection B throughout this state for
2 the calendar month.

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

14 4. After any distributions required by sections 42-5030,
15 42-5030.01, 42-5031, 42-5032, 42-5032.01, ~~and~~ 42-5032.02 **AND 42-5032.03**
16 and after making any transfer to the water quality assurance revolving
17 fund as required by section 49-282, subsection B, credit the remainder of
18 the monies designated as distribution base to the state general
19 fund. From this amount the legislature shall annually appropriate to:

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

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

24 (c) The firearms safety and ranges fund established by section
25 17-273, \$50,000 derived from the taxes collected from the retail
26 classification pursuant to section 42-5061 for the current fiscal year.

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

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

45 2. After any transfer of monies pursuant to paragraph 1 of this
46 subsection, twelve per cent of the remaining monies collected during the
47 preceding month shall be transferred to the technology and research

1 initiative fund established by section 15-1648 to be distributed among the
2 universities for the purpose of investment in technology and
3 research-based initiatives.

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

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

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

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

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

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

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

31 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
32 \$86,280,500.

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

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

46 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of
47 this subsection, one million five hundred thousand dollars is appropriated

1 each fiscal year, to be paid in monthly installments, to the failing
2 schools tutoring fund established by section 15-241.

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

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

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

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

16 (c) Forty per cent shall be allocated for maintenance and operation
17 purposes.

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

21 G. Notwithstanding subsection D of this section, if a court of
22 competent jurisdiction finally determines that tax monies distributed
23 under this section were illegally collected under this article or articles
24 5 and 8 of this chapter and orders the monies to be refunded to the
25 taxpayer, the department shall compute the amount of such monies that was
26 distributed to each city, town and county under this section. Each
27 city's, town's and county's proportionate share of the costs shall be
28 based on the amount of the original tax payment each municipality and
29 county received. Each month the state treasurer shall reduce the amount
30 otherwise distributable to the city, town and county under this section by
31 1/36 of the total amount to be recovered from the city, town or county
32 until the total amount has been recovered, but the monthly reduction for
33 any city, town or county shall not exceed ten percent of the full monthly
34 distribution to that entity. The reduction shall begin for the first
35 calendar month after the final disposition of the case and shall continue
36 until the total amount, including interest and costs, has been recovered.

37 H. On receiving a certificate of default from the greater Arizona
38 development authority pursuant to section 41-2257 or 41-2258 and to the
39 extent not otherwise expressly prohibited by law, the state treasurer
40 shall withhold from the next succeeding distribution of monies pursuant to
41 this section due to the defaulting political subdivision the amount
42 specified in the certificate of default and immediately deposit the amount
43 withheld in the greater Arizona development authority revolving fund. The
44 state treasurer shall continue to withhold and deposit the monies until
45 the greater Arizona development authority certifies to the state treasurer
46 that the default has been cured. In no event may the state treasurer
47 withhold any amount that the defaulting political subdivision certifies to

1 the state treasurer and the authority as being necessary to make any
2 required deposits then due for the payment of principal and interest on
3 bonds of the political subdivision that were issued before the date of the
4 loan repayment agreement or bonds and that have been secured by a pledge
5 of distributions made pursuant to this section.

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

11 J. Except as otherwise provided by this subsection, on notice from
12 the department of revenue pursuant to section 42-6010, subsection B, the
13 state treasurer shall withhold from the distribution of monies pursuant to
14 this section to the affected city or town the amount of the penalty for
15 business location municipal tax incentives provided by the city or town to
16 a business entity that locates a retail business facility in the city or
17 town. The state treasurer shall continue to withhold monies pursuant to
18 this subsection until the entire amount of the penalty has been withheld.
19 The state treasurer shall credit any monies withheld pursuant to this
20 subsection to the state general fund as provided by subsection D,
21 paragraph 4 of this section. The state treasurer shall not withhold any
22 amount that the city or town certifies to the department of revenue and
23 the state treasurer as being necessary to make any required deposits or
24 payments for debt service on bonds or other long-term obligations of the
25 city or town that were issued or incurred before the location incentives
26 provided by the city or town.

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

35 L. Except as otherwise provided by this subsection, on notice from
36 the attorney general pursuant to section 41-194.01, subsection B,
37 paragraph 1 that an ordinance, regulation, order or other official action
38 adopted or taken by the governing body of a county, city or town violates
39 state law or the Constitution of Arizona, the state treasurer shall
40 withhold the distribution of monies pursuant to this section to the
41 affected county, city or town and shall continue to withhold monies
42 pursuant to this subsection until the attorney general certifies to the
43 state treasurer that the violation has been resolved. The state treasurer
44 shall redistribute the monies withheld pursuant to this subsection among
45 all other counties, cities and towns in proportion to their population as
46 provided by subsection D of this section. The state treasurer shall not
47 withhold any amount that the county, city or town certifies to the

1 attorney general and the state treasurer as being necessary to make any
2 required deposits or payments for debt service on bonds or other long-term
3 obligations of the county, city or town that were issued or incurred
4 before committing the violation.

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

10 Sec. 6. Title 42, chapter 5, article 1, Arizona Revised Statutes,
11 is amended by adding section 42-5032.03, to read:

12 42-5032.03. Distribution of revenue for county stadium
13 district

14 A. BEGINNING OCTOBER 1, 2025 AND EACH MONTH THEREAFTER, THE STATE
15 TREASURER SHALL TRANSMIT, FROM THE AMOUNT DESIGNATED AS DISTRIBUTION BASE
16 PURSUANT TO SECTION 42-5029, SUBSECTION D, THE AMOUNT DETERMINED UNDER
17 SUBSECTION B OF THIS SECTION TO THE COUNTY STADIUM DISTRICT ESTABLISHED
18 PURSUANT TO TITLE 48, CHAPTER 26 FOR DEPOSIT IN THE COUNTY STADIUM
19 DISTRICT FUND ESTABLISHED PURSUANT TO SECTION 48-4231.

20 B. THE AMOUNT TO BE TRANSMITTED UNDER SUBSECTION A OF THIS SECTION
21 IS THE TOTAL AMOUNT OF STATE TRANSACTION PRIVILEGE TAX REVENUES RECEIVED
22 FROM PERSONS CONDUCTING BUSINESS UNDER THE RETAIL, AMUSEMENT, RESTAURANT
23 AND PRIME CONTRACTING CLASSIFICATIONS AT, OR WITH RESPECT TO EVENTS HELD
24 AT, A MAJOR LEAGUE BASEBALL FACILITY THAT IS OWNED AND OPERATED BY A
25 COUNTY STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26.

26 Sec. 7. Section 42-5061, Arizona Revised Statutes, is amended to
27 read:

28 42-5061. Retail classification: definitions

29 A. The retail classification is comprised of the business of
30 selling tangible personal property at retail. The tax base for the retail
31 classification is the gross proceeds of sales or gross income derived from
32 the business. The tax imposed on the retail classification does not apply
33 to the gross proceeds of sales or gross income from:

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

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

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

42 4. Sales of tangible personal property by any nonprofit
43 organization organized and operated exclusively for charitable purposes
44 and recognized by the United States internal revenue service under section
45 501(c)(3) of the internal revenue code.

- 1 5. Sales to persons engaged in business classified under the
2 restaurant classification of articles used by human beings for food, drink
3 or condiment, whether simple, mixed or compounded.
- 4 6. Business activity that is properly included in any other
5 business classification that is taxable under this article.
- 6 7. The sale of stocks and bonds.
- 7 8. Drugs and medical oxygen, including delivery hose, mask or tent,
8 regulator and tank, if prescribed by a member of the medical, dental or
9 veterinarian profession who is licensed by law to administer such
10 substances.
- 11 9. Prosthetic appliances as defined in section 23-501 and as
12 prescribed or recommended by a health professional who is licensed
13 pursuant to title 32, chapter 7, 8, 11, 13, 14, 15, 16, 17 or 29.
- 14 10. Insulin, insulin syringes and glucose test strips.
- 15 11. Prescription eyeglasses or contact lenses.
- 16 12. Hearing aids as defined in section 36-1901.
- 17 13. Durable medical equipment that has a centers for medicare and
18 medicaid services common procedure code, is designated reimbursable by
19 medicare, is prescribed by a person who is licensed under title 32,
20 chapter 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is
21 primarily and customarily used to serve a medical purpose, is generally
22 not useful to a person in the absence of illness or injury and is
23 appropriate for use in the home.
- 24 14. Sales of motor vehicles to nonresidents of this state for use
25 outside this state if either of the following applies:
26 (a) The motor vehicle dealer ships or delivers the motor vehicle to
27 a destination out of this state.
28 (b) The vehicle, trailer or semitrailer has a gross vehicle weight
29 rating of more than ten thousand pounds, is used or maintained to
30 transport property in the furtherance of interstate commerce and otherwise
31 meets the definition of commercial motor vehicle as defined in section
32 28-5201.
- 33 15. Food, as provided in and subject to the conditions of article 3
34 of this chapter and sections 42-5074 and 42-6017.
- 35 16. Items purchased with United States department of agriculture
36 coupons issued under the supplemental nutrition assistance program
37 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;
38 7 United States Code sections 2011 through 2036b) by the United States
39 department of agriculture food and nutrition service or food instruments
40 issued under section 17 of the child nutrition act (P.L. 95-627;
41 92 Stat. 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States
42 Code section 1786).
- 43 17. Textbooks by any bookstore that are required by any state
44 university or community college.
- 45 18. Food and drink to a person that is engaged in a business that
46 is classified under the restaurant classification and that provides such

1 food and drink without monetary charge to its employees for their own
2 consumption on the premises during the employees' hours of employment.

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

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

10 21. The sale of cash equivalents and the sale of precious metal
11 bullion and monetized bullion to the ultimate consumer, but the sale of
12 coins or other forms of money for manufacture into jewelry or works of art
13 is subject to the tax and the gross proceeds of sales or gross income
14 derived from the redemption of any cash equivalent by the holder as a
15 means of payment for goods or services that are taxable under this article
16 is subject to the tax. For the purposes of this paragraph:

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

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

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

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

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

39 22. Motor vehicle fuel and use fuel that are subject to a tax
40 imposed under title 28, chapter 16, article 1, sales of use fuel to a
41 holder of a valid single trip use fuel tax permit issued under section
42 28-5739, sales of aviation fuel that are subject to the tax imposed under
43 section 28-8344 and sales of jet fuel that are subject to the tax imposed
44 under article 8 of this chapter.

45 23. Tangible personal property sold to a person engaged in the
46 business of leasing or renting such property under the personal property

1 rental classification if such property is to be leased or rented by such
2 person.

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

6 25. Tangible personal property sold to:

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

8 (b) A qualifying health care organization as defined in section
9 42-5001 if the tangible personal property is used by the organization
10 solely to provide health and medical related educational and charitable
11 services.

12 (c) A qualifying health care organization as defined in section
13 42-5001 if the organization is dedicated to providing educational,
14 therapeutic, rehabilitative and family medical education training for
15 blind and visually impaired children and children with multiple
16 disabilities from the time of birth to age twenty-one.

17 (d) A qualifying community health center as defined in section
18 42-5001.

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

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

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

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

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

38 27. Tangible personal property sold to:

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

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

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

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

15 29. Tangible personal property purchased in this state by a
16 nonprofit charitable organization that has qualified under section
17 501(c)(3) of the United States internal revenue code and that engages in
18 and uses such property exclusively in programs for persons with mental or
19 physical disabilities if the programs are exclusively for training, job
20 placement, rehabilitation or testing.

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

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

39 32. Sales of tangible personal property by a nonprofit organization
40 that is exempt from taxation under section 501(c)(3), 501(c)(4),
41 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code if the
42 organization sponsors or operates a rodeo featuring primarily farm and
43 ranch animals and no part of the organization's net earnings inures to the
44 benefit of any private shareholder or individual.

45 33. Sales of propagative materials to persons who use those items
46 to commercially produce agricultural, horticultural, viticultural or

1 floricultural crops in this state. For the purposes of this paragraph,
2 "propagative materials":

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

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

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

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

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

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

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

46 39. Through December 31, 1994, personal property liquidation
47 transactions, conducted by a personal property liquidator. From and after

1 December 31, 1994, personal property liquidation transactions shall be
2 taxable under this section provided that nothing in this subsection shall
3 be construed to authorize the taxation of casual activities or
4 transactions under this chapter. For the purposes of this paragraph:

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

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

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

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

22 42. Sales of:

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

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

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

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

42 45. Tangible personal property sold to a person engaged in business
43 and subject to tax under the transient lodging classification if the
44 tangible personal property is a personal hygiene item or articles used by
45 human beings for food, drink or condiment, except alcoholic beverages,
46 that are furnished without additional charge to and intended to be
47 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
45 or transporting qualifying forest products removed from qualifying
46 projects as defined in section 41-1516.

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

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

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

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

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

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

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

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

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

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

45 1. Machinery, or equipment, used directly in manufacturing,
46 processing, fabricating, job printing, refining or metallurgical
47 operations. The terms "manufacturing", "processing", "fabricating", "job

1 printing", "refining" and "metallurgical" as used in this paragraph refer
2 to and include those operations commonly understood within their ordinary
3 meaning. "Metallurgical operations" includes leaching, milling,
4 precipitating, smelting and refining.

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

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

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

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

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

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

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

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

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

45 8. Aircraft, navigational and communication instruments and other
46 accessories and related equipment sold to:

47 (a) A person:

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

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

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

14 (iv) Operating an aircraft to transport persons in any manner for
15 compensation or hire, or for use in a fractional ownership program that
16 meets the requirements of federal aviation administration regulations
17 (14 Code of Federal Regulations part 91, subpart K), including as an air
18 carrier, a foreign air carrier or a commercial operator or under a
19 restricted category, within the meaning of 14 Code of Federal Regulations,
20 regardless of whether the operation or aircraft is regulated or certified
21 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code
22 of Federal Regulations.

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

28 (b) Any foreign government.

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

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

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

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

45 12. Buses or other urban mass transit vehicles that are used
46 directly to transport persons or property for hire or pursuant to a
47 governmentally adopted and controlled urban mass transportation program

1 and that are sold to bus companies holding a federal certificate of
2 convenience and necessity or operated by any city, town or other
3 governmental entity or by any person contracting with such governmental
4 entity as part of a governmentally adopted and controlled program to
5 provide urban mass transportation.

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

7 14. Machinery and equipment consisting of agricultural aircraft,
8 tractors, off-highway vehicles, tractor-drawn implements, self-powered
9 implements, machinery and equipment necessary for extracting milk, and
10 machinery and equipment necessary for cooling milk and livestock, and drip
11 irrigation lines not already exempt under paragraph 7 of this subsection
12 and that are used for commercial production of agricultural,
13 horticultural, viticultural and floricultural crops and products in this
14 state. For the purposes of this paragraph:

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

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

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

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

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

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

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

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

10 17. Clean rooms that are used for manufacturing, processing,
11 fabrication or research and development, as defined in paragraph 15 of
12 this subsection, of semiconductor products. For the purposes of this
13 paragraph, "clean room" means all property that comprises or creates an
14 environment where humidity, temperature, particulate matter and
15 contamination are precisely controlled within specified parameters,
16 without regard to whether the property is actually contained within that
17 environment or whether any of the property is affixed to or incorporated
18 into real property. Clean room:

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

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

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

31 19. Machinery or equipment, including related structural components
32 and containment structures, that is employed in connection with
33 manufacturing, processing, fabricating, job printing, refining, mining,
34 natural gas pipelines, metallurgical operations, telecommunications,
35 producing or transmitting electricity or research and development and that
36 is used directly to meet or exceed rules or regulations adopted by the
37 federal energy regulatory commission, the United States environmental
38 protection agency, the United States nuclear regulatory commission, the
39 Arizona department of environmental quality or a political subdivision of
40 this state to prevent, monitor, control or reduce land, water or air
41 pollution. For the purposes of this paragraph, "containment structure"
42 means a structure that prevents, monitors, controls or reduces noxious or
43 harmful discharge into the environment.

44 20. Machinery and equipment that are sold to a person engaged in
45 commercially producing livestock, livestock products or agricultural,
46 horticultural, viticultural or floricultural crops or products in this
47 state, including a person representing or working on behalf of such a

1 person in a manner described in section 42-5075, subsection ~~P~~ P, if the machinery and equipment are used directly and primarily to prevent, monitor, control or reduce air, water or land pollution.

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

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

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

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

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

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

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

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

2. Janitorial equipment and hand tools.

3. Office equipment, furniture and supplies.

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

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

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

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

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

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

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

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

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

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

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

42 2. Businesses classified under the:

43 (a) Transporting classification.

44 (b) Utilities classification.

45 (c) Telecommunications classification.

46 (d) Pipeline classification.

47 (e) Private car line classification.

- 1 (f) Publication classification.
- 2 (g) Job printing classification.
- 3 (h) Prime contracting classification.
- 4 (i) Restaurant classification.

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

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

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

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

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

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

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

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

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

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

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

46 N. In computing the tax base in the case of the sale or transfer of
47 wireless telecommunications equipment as an inducement to a customer to

1 enter into or continue a contract for telecommunications services that are
2 taxable under section 42-5064, gross proceeds of sales or gross income
3 does not include any sales commissions or other compensation received by
4 the retailer as a result of the customer entering into or continuing a
5 contract for the telecommunications services.

6 O. For the purposes of this section, a sale of wireless
7 telecommunications equipment to a person who holds the equipment for sale
8 or transfer to a customer as an inducement to enter into or continue a
9 contract for telecommunications services that are taxable under section
10 42-5064 is considered to be a sale for resale in the regular course of
11 business.

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

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

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

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

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

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

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

36 S. If a seller is entitled to a deduction pursuant to subsection B,
37 paragraph 16, subdivision (b) of this section, the department may require
38 the purchaser to establish that the requirements of subsection B,
39 paragraph 16, subdivision (b) of this section have been satisfied. If the
40 purchaser cannot establish that the requirements of subsection B,
41 paragraph 16, subdivision (b) of this section have been satisfied, the
42 purchaser is liable in an amount equal to any tax, penalty and interest
43 that the seller would have been required to pay under article 1 of this
44 chapter if the seller had not made a deduction pursuant to subsection B,
45 paragraph 16, subdivision (b) of this section. Payment of the amount
46 under this subsection exempts the purchaser from liability for any tax
47 imposed under article 4 of this chapter and related to the tangible

1 personal property purchased. The amount shall be treated as transaction
2 privilege tax to the purchaser and as tax revenues collected from the
3 seller to designate the distribution base pursuant to section 42-5029.

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

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

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

13 U. FOR THE PURPOSES OF SECTION 42-5032.03, FROM AND AFTER
14 SEPTEMBER 30, 2025, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES
15 COLLECTED UNDER THE RETAIL CLASSIFICATION FROM BUSINESSES SELLING TANGIBLE
16 PERSONAL PROPERTY AT RETAIL ON THE PREMISES OF A MAJOR LEAGUE BASEBALL
17 FACILITY OWNED OR OPERATED BY A COUNTY STADIUM DISTRICT PURSUANT TO TITLE
18 48, CHAPTER 26.

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

32 ~~V.~~ W. For the purposes of this section:

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

36 2. "Aircraft" includes:

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

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

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

46 4. "Selling at retail" means a sale for any purpose other than for
47 resale in the regular course of business in the form of tangible personal

1 property, but transfer of possession, lease and rental as used in the
2 definition of sale mean only such transactions as are found on
3 investigation to be in lieu of sales as defined without the words lease or
4 rental.

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

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

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

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

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

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

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

34 Sec. 8. Section 42-5073, Arizona Revised Statutes, is amended to
35 read:

36 42-5073. Amusement classification

37 A. The amusement classification is comprised of the business of
38 operating or conducting theaters, movies, operas, shows of any type or
39 nature, exhibitions, concerts, carnivals, circuses, amusement parks,
40 menageries, fairs, races, contests, games, billiard or pool parlors,
41 bowling alleys, public dances, dance halls, boxing and wrestling matches,
42 skating rinks, tennis courts, except as provided in subsection B of this
43 section, video games, pinball machines or sports events or any other
44 business charging admission or user fees for exhibition, amusement or
45 entertainment, including the operation or sponsorship of events by a
46 tourism and sports authority under title 5, chapter 8. For the purposes
47 of this section, admission or user fees include, but are not limited to,

1 any revenues derived from any form of contractual agreement for rights to
2 or use of premium or special seating facilities or arrangements. The
3 amusement classification does not include:

4 1. Activities or projects of bona fide religious or educational
5 institutions.

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

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

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

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

30 6. Operating or sponsoring rodeos that feature primarily farm and
31 ranch animals in this state and that are sponsored, conducted or operated
32 by a nonprofit organization that is exempt from taxation under section
33 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the internal
34 revenue code if no part of the organization's net earnings inures to the
35 benefit of any private shareholder or individual.

36 7. Sales of admissions to intercollegiate football contests if the
37 contests are both:

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

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

44 8. Activities and events of, or fees and assessments received by, a
45 homeowners organization from persons who are members of the organization
46 or accompanied guests of members. For the purposes of this paragraph,
47 "homeowners organization" means a mandatory membership organization

1 comprised of owners of residential property within a specified residential
2 real estate subdivision development or similar area and established to own
3 property for the benefit of its members where both of the following apply:

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

6 (b) The primary purpose of the organization is to provide for the
7 acquisition, construction, management, maintenance or care of organization
8 property.

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

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

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

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

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

43 3. The gross proceeds of sales or gross income derived from
44 membership fees, including initiation fees, that provide for the right to
45 use a transient lodging recreational establishment, including golf courses
46 and tennis and other racquet courts at that establishment, for
47 participatory purposes for twenty-eight days or more, except that this

1 paragraph does not include additional fees, other than initiation fees,
2 that are charged by a transient lodging recreational establishment for
3 purposes other than memberships and that provide for the right to use a
4 transient lodging recreational establishment or any portion of the
5 establishment for participatory purposes for twenty-eight days or more.

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

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

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

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

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

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

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

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

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

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

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

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

43 1. "Health or fitness establishment" means a facility whose primary
44 purpose is to provide facilities, equipment, instruction or education to
45 promote the health and fitness of its members and at least eighty percent
46 of the monthly gross revenue of the facility is received through accounts
47 of memberships and accompanied guest use fees that provide for the right

1 to use the facility, or any portion of the facility, under the terms of
2 the membership agreement for participatory purposes for twenty-eight days
3 or more.

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

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

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

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

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

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

41 1. Events that are held in a multipurpose facility that is owned or
42 operated by the tourism and sports authority pursuant to title 5, chapter
43 8, including intercollegiate football contests that are operated by a
44 nonprofit organization that is exempt from taxation under section
45 501(c)(3) of the internal revenue code.

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

4 H. FOR THE PURPOSES OF SECTION 42-5032.03, FROM AND AFTER
5 SEPTEMBER 30, 2025, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES
6 COLLECTED UNDER THE AMUSEMENT CLASSIFICATION FROM THE SALES OF ADMISSIONS
7 TO A MAJOR LEAGUE BASEBALL FACILITY OWNED OR OPERATED BY A COUNTY STADIUM
8 DISTRICT PURSUANT TO TITLE 48, CHAPTER 26.

9 Sec. 9. Section 42-5074, Arizona Revised Statutes, is amended to
10 read:

11 42-5074. Restaurant classification

12 A. The restaurant classification is comprised of the business of
13 operating restaurants, dining cars, dining rooms, lunchrooms, mobile food
14 units, lunch stands, soda fountains, catering services or similar
15 establishments where articles of food or drink are sold for consumption on
16 or off the premises.

17 B. The tax base for the restaurant classification is the gross
18 proceeds of sales or gross income derived from the business. The gross
19 proceeds of sales or gross income derived from the following shall be
20 deducted from the tax base:

21 1. Sales to a person engaged in business classified under the
22 restaurant classification if the items sold are to be resold in the
23 regular course of the business.

24 2. Sales by a congressionally chartered veterans organization of
25 food or drink prepared for consumption on the premises leased, owned or
26 maintained by the organization.

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

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

44 5. Sales at a rodeo featuring primarily farm and ranch animals in
45 this state by a nonprofit organization that is exempt from taxation under
46 section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the

1 internal revenue code if no part of the organization's net earnings inures
2 to the benefit of any private shareholder or individual.

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

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

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

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

16 10. Sales of articles of prepared or unprepared food, drink or
17 condiment and accessory tangible personal property to a school district or
18 charter school if the articles and accessory tangible personal property
19 are served to persons for consumption on the premises of a public school
20 in the school district or charter school during school hours.

21 11. Prepared food, drink or condiment donated by a restaurant to a
22 nonprofit charitable organization that has qualified under section
23 501(c)(3) of the internal revenue code and that regularly serves meals to
24 the needy and indigent on a continuing basis at no cost.

25 12. Sales of articles of food and drink at low or reduced prices to
26 eligible elderly or homeless persons or persons with a disability by a
27 restaurant that contracts with the department of economic security and
28 that is approved by the food and nutrition services of the United States
29 department of agriculture pursuant to the supplemental nutrition
30 assistance program established by the food and nutrition act of 2008
31 (P.L. 110-246; 122 Stat. 1651; 7 United States Code sections 2011 through
32 2036a), if the purchases of the articles of food and drink are made with
33 the benefits issued pursuant to the supplemental nutrition assistance
34 program.

35 C. The tax imposed on the restaurant classification pursuant to
36 this section does not apply to the gross proceeds of sales or gross income
37 from tangible personal property sold to a commercial airline consisting of
38 food, beverages and condiments and accessories used for serving the food
39 and beverages, if those items are to be provided without additional charge
40 to passengers for consumption in flight. For the purposes of this
41 subsection, "commercial airline" means a person holding a federal
42 certificate of public convenience and necessity or foreign air carrier
43 permit for air transportation to transport persons, property or United
44 States mail in intrastate, interstate or foreign commerce.

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

1 E. For the purposes of section 42-5032.01, the department shall
2 separately account for revenues collected under the restaurant
3 classification from businesses operating restaurants, dining rooms,
4 lunchrooms, lunch stands, soda fountains, catering services or similar
5 establishments:

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

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

12 F. FOR THE PURPOSES OF SECTION 42-5032.03, FROM AND AFTER
13 SEPTEMBER 30, 2025, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES
14 COLLECTED UNDER THE RESTAURANT CLASSIFICATION FROM BUSINESSES OPERATING
15 RESTAURANTS, DINING ROOMS, LUNCHROOMS, LUNCH STANDS, SODA FOUNTAINS,
16 CATERING SERVICES OR SIMILAR ESTABLISHMENTS ON THE PREMISES OF A MAJOR
17 LEAGUE BASEBALL FACILITY OWNED OR OPERATED BY A COUNTY STADIUM DISTRICT
18 PURSUANT TO TITLE 48, CHAPTER 26.

19 Sec. 10. Section 42-5075, Arizona Revised Statutes, is amended to
20 read:

21 42-5075. Prime contracting classification: exemptions:
22 definitions

23 A. The prime contracting classification is comprised of the
24 business of prime contracting and the business of manufactured building
25 dealer. Sales for resale to another manufactured building dealer are not
26 subject to tax. Sales for resale do not include sales to a lessor of
27 manufactured buildings. The sale of a used manufactured building is not
28 taxable under this chapter. The prime contracting classification does not
29 include any work or operation performed by a person that is not required
30 to be licensed by the registrar of contractors pursuant to section
31 32-1121.

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

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

38 2. Sales and installation of groundwater measuring devices required
39 under section 45-604 and groundwater monitoring wells required by law,
40 including monitoring wells installed for acquiring information for a
41 permit required by law.

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

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

11 5. The gross proceeds of sales or gross income derived from a
12 contract to construct a qualified environmental technology manufacturing,
13 producing or processing facility, as described in section 41-1514.02, and
14 from subsequent construction and installation contracts that begin within
15 ten years after the start of initial construction. To qualify for this
16 deduction, before beginning work under the contract, the prime contractor
17 must obtain a letter of qualification from the department of revenue. This
18 paragraph shall apply for ten full consecutive calendar or fiscal years
19 after the start of initial construction.

20 6. The gross proceeds of sales or gross income from a contract to
21 provide for one or more of the following actions, or a contract for site
22 preparation, constructing, furnishing or installing machinery, equipment
23 or other tangible personal property, including structures necessary to
24 protect exempt incorporated materials or installed machinery or equipment,
25 and tangible personal property incorporated into the project, to perform
26 one or more of the following actions in response to a release or suspected
27 release of a hazardous substance, pollutant or contaminant from a facility
28 to the environment, unless the release was authorized by a permit issued
29 by a governmental authority:

30 (a) Actions to monitor, assess and evaluate such a release or a
31 suspected release.

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

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

37 (d) Pumping and treatment or in situ treatment of contaminated
38 groundwater or surface water to reduce the concentration or toxicity of a
39 contaminant.

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

44 This paragraph does not include asbestos removal or the construction or
45 use of ancillary structures such as maintenance sheds, offices or storage
46 facilities for unattached equipment, pollution control equipment,

1 facilities or other control items required or to be used by a person to
2 prevent or control contamination before it reaches the environment.

3 7. The gross proceeds of sales or gross income that is derived from
4 a contract for the installation, assembly, repair or maintenance of
5 machinery, equipment or other tangible personal property that is either
6 deducted from the tax base of the retail classification under section
7 42-5061, subsection B or that is exempt from use tax under section
8 42-5159, subsection B and that has independent functional utility,
9 pursuant to the following provisions:

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

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

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

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

22 (b) The deduction provided in this paragraph does not include gross
23 proceeds of sales or gross income from the portion of any contracting
24 activity that consists of the development of, or modification to, real
25 property in order to facilitate the installation, assembly, repair,
26 maintenance or removal of machinery, equipment or other tangible personal
27 property that is either deducted from the tax base of the retail
28 classification under section 42-5061, subsection B or exempt from use tax
29 under section 42-5159, subsection B.

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

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

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

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

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

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

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

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

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

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

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

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

13 10. The gross proceeds of sales or gross income that is derived
14 from a contract entered into with a person who is engaged in the
15 commercial production of livestock, livestock products or agricultural,
16 horticultural, viticultural or floricultural crops or products in this
17 state for the modification of any building, highway, road, excavation,
18 manufactured building or other structure, project, development or
19 improvement used directly and primarily to prevent, monitor, control or
20 reduce air, water or land pollution.

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

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

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

39 14. The gross proceeds of sales or gross income derived from a
40 contract entered into for the construction of a launch site, as defined in
41 14 Code of Federal Regulations section 401.5.

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

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

4 17. The gross proceeds of sales or gross income received from
5 contracts entered into before July 1, 2006 for constructing a state
6 university research infrastructure project if the project has been
7 reviewed by the joint committee on capital review before the university
8 enters into the construction contract for the project. For the purposes
9 of this paragraph, "research infrastructure" has the same meaning
10 prescribed in section 15-1670.

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

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

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

26 (b) The attributable amount is equal to the total amount of
27 development fees paid by the prime contractor or subcontractor, and the
28 total development fees credited in exchange for the construction of,
29 contribution to or dedication of real property for providing public
30 infrastructure, public safety or other public services necessary to the
31 development. The real property must be the subject of the development
32 fees.

33 (c) "Development fees" means fees imposed to offset capital costs
34 of providing public infrastructure, public safety or other public services
35 to a development and authorized pursuant to section 9-463.05, section
36 11-1102 or title 48 regardless of the jurisdiction to which the fees are
37 paid.

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

43 (a) "Mixed waste processing facility" means a solid waste facility
44 that is owned, operated or used for the treatment, processing or disposal
45 of solid waste, recyclable solid waste, very small quantity generator
46 waste or household hazardous waste. For the purposes of this subdivision,
47 "very small quantity generator waste", "household hazardous waste" and

1 "solid waste facility" have the same meanings prescribed in section
2 49-701, except that solid waste facility does include a site that stores,
3 treats or processes paper, glass, wood, cardboard, household textiles,
4 scrap metal, plastic, vegetative waste, aluminum, steel or other
5 recyclable material.

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

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

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

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

20 C. Entitlement to the deduction pursuant to subsection B, paragraph
21 7 of this section is subject to the following provisions:

22 1. A prime contractor may establish entitlement to the deduction by
23 both:

24 (a) Marking the invoice for the transaction to indicate that the
25 gross proceeds of sales or gross income derived from the transaction was
26 deducted from the base.

27 (b) Obtaining a certificate executed by the purchaser indicating
28 the name and address of the purchaser, the precise nature of the business
29 of the purchaser, the purpose for which the purchase was made, the
30 necessary facts to establish the deductibility of the property under
31 section 42-5061, subsection B, and a certification that the person
32 executing the certificate is authorized to do so on behalf of the
33 purchaser. The certificate may be disregarded if the prime contractor has
34 reason to believe that the information contained in the certificate is not
35 accurate or complete.

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

39 3. The department may prescribe a form for the certificate
40 described in paragraph 1, subdivision (b) of this subsection. The
41 department may also adopt rules that describe the transactions with
42 respect to which a person is not entitled to rely solely on the
43 information contained in the certificate provided in paragraph 1,
44 subdivision (b) of this subsection but must instead obtain such additional
45 information as required in order to be entitled to the deduction.

46 4. If a prime contractor is entitled to a deduction by complying
47 with paragraph 1 of this subsection, the department may require the

1 purchaser who caused the execution of the certificate to establish the
2 accuracy and completeness of the information required to be contained in
3 the certificate that would entitle the prime contractor to the deduction.
4 If the purchaser cannot establish the accuracy and completeness of the
5 information, the purchaser is liable in an amount equal to any tax,
6 penalty and interest that the prime contractor would have been required to
7 pay under article 1 of this chapter if the prime contractor had not
8 complied with paragraph 1 of this subsection. Payment of the amount under
9 this paragraph exempts the purchaser from liability for any tax imposed
10 under article 4 of this chapter. The amount shall be treated as a
11 transaction privilege tax to the purchaser and as tax revenues collected
12 from the prime contractor in order to designate the distribution base for
13 purposes of section 42-5029.

14 D. Subcontractors or others who perform modification activities are
15 not subject to tax if they can demonstrate that the job was within the
16 control of a prime contractor or contractors or a dealership of
17 manufactured buildings and that the prime contractor or dealership is
18 liable for the tax on the gross income, gross proceeds of sales or gross
19 receipts attributable to the job and from which the subcontractors or
20 others were paid.

21 E. Amounts received by a contractor for a project are excluded from
22 the contractor's gross proceeds of sales or gross income derived from the
23 business if the person who hired the contractor executes and provides a
24 certificate to the contractor stating that the person providing the
25 certificate is a prime contractor and is liable for the tax under article
26 1 of this chapter. The department shall prescribe the form of the
27 certificate. If the contractor has reason to believe that the information
28 contained on the certificate is erroneous or incomplete, the department
29 may disregard the certificate. If the person who provides the certificate
30 is not liable for the tax as a prime contractor, that person is
31 nevertheless deemed to be the prime contractor in lieu of the contractor
32 and is subject to the tax under this section on the gross receipts or
33 gross proceeds received by the contractor.

34 F. Every person engaging or continuing in this state in the
35 business of prime contracting or dealership of manufactured buildings
36 shall present to the purchaser of such prime contracting or manufactured
37 building a written receipt of the gross income or gross proceeds of sales
38 from such activity and shall separately state the taxes to be paid
39 pursuant to this section.

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

46 H. For the purposes of section 42-5032.02, from and after
47 September 30, 2013, the department shall separately account for revenues

1 reported and collected under the prime contracting classification from any
2 prime contractor engaged in the construction of any buildings and
3 associated improvements that are for the benefit of a manufacturing
4 facility. For the purposes of this subsection, "associated improvements"
5 and "manufacturing facility" have the same meanings prescribed in section
6 42-5032.02.

7 I. FOR THE PURPOSES OF SECTION 42-5032.02, FROM AND AFTER
8 SEPTEMBER 30, 2025, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES
9 REPORTED AND COLLECTED UNDER THE PRIME CONTRACTING CLASSIFICATION FROM ANY
10 PRIME CONTRACTOR ENGAGED IN THE CONSTRUCTION OF ANY BUILDINGS AND
11 ASSOCIATED IMPROVEMENTS THAT ARE FOR THE BENEFIT OF A MAJOR LEAGUE
12 BASEBALL FACILITY OWNED AND OPERATED BY A COUNTY STADIUM DISTRICT PURSUANT
13 TO TITLE 48, CHAPTER 26.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

45 (d) Administration or supervision of any modification performed
46 pursuant to change directives. For the purposes of this subdivision,
47 "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.

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

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

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

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

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

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

16 (vi) Any bond and insurance premiums.

17 (vii) Any applicable taxes.

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

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

25 (g) Preparing the plan and procedures for selection of
26 subcontractors, including any prequalification of subcontractor
27 candidates.

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

34 ~~0-~~ P. The gross proceeds of sales or gross income derived from a
35 contract with the owner of real property or improvements to real property
36 for the maintenance, repair, replacement or alteration of existing
37 property is not subject to tax under this section if the contract does not
38 include modification activities, except as specified in this subsection.
39 The gross proceeds of sales or gross income derived from a de minimis
40 amount of modification activity does not subject the contract or any part
41 of the contract to tax under this section. For the purposes of this
42 subsection:

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

46 2. Each contract is independent of any other contract, except that
47 any change order that directly relates to the scope of work of the

1 original contract shall be treated the same as the original contract under
2 this chapter, regardless of the amount of modification activities included
3 in the change order. If a change order does not directly relate to the
4 scope of work of the original contract, the change order shall be treated
5 as a new contract, with the tax treatment of any subsequent change order
6 to follow the tax treatment of the contract to which the scope of work of
7 the subsequent change order directly relates.

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

16 1. Community facilities districts, fire districts, county
17 television improvement districts, community park maintenance districts,
18 cotton pest control districts, hospital districts, pest abatement
19 districts, health service districts, agricultural improvement districts,
20 county free library districts, county jail districts, county stadium
21 districts, special health care districts, public health services
22 districts, theme park districts or revitalization districts.

23 2. Any special taxing district not specified in paragraph 1 of this
24 subsection if the district does not substantially engage in the
25 modification, maintenance, repair, replacement or alteration of surface or
26 subsurface improvements to land.

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

37 1. If any part of the contract for sale of the property specifies
38 amounts to be paid to the original owner for the modifications to be made
39 in the period subsequent to the transfer of title, the amounts are
40 included in the original owner's gross proceeds of sale or gross income
41 under this section. Proceeds from the sale of the property that are
42 received after transfer of title and that are unrelated to the
43 modifications made subsequent to the transfer of title are not considered
44 gross proceeds of sale or gross income from the modifications.

45 2. If the original owner enters into an agreement separate from the
46 contract for sale of the real property providing for amounts to be paid to
47 the original owner for the modifications to be made in the period

1 subsequent to the transfer of title to the property, the amounts are
2 included in the original owner's gross proceeds of sale or gross income
3 received for the modifications made subsequent to the transfer of title.

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

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

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

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

17 (a) For existing property that is properly classified as class two
18 property under section 42-12002, paragraph 1, subdivision (c) or paragraph
19 2, subdivision (c) and that is used for residential purposes, class three
20 property under section 42-12003 or class four property under section
21 42-12004, this paragraph does not apply if the contract amount is more
22 than twenty-five percent of the most recent full cash value established
23 under chapter 13, article 2 of this title as of the date of any bid for
24 the work or the date of the contract, whichever value is higher.

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

28 (c) Project elements may not be artificially separated from a
29 contract to cause a project to qualify as an alteration. The department
30 has the burden of proof that project elements have been artificially
31 separated from a contract.

32 (d) If a project for which the owner and the person performing the
33 work reasonably believed, at the inception of the contract, would be
34 treated as an alteration under this paragraph and, on completion of the
35 project, the project exceeded the applicable threshold described in either
36 subdivision (a) or (b) of this paragraph by not more than twenty-five
37 percent of the applicable threshold for any reason, the work performed
38 under the contract qualifies as an alteration.

39 (e) A change order that directly relates to the scope of work of
40 the original contract shall be treated as part of the original contract,
41 and the contract amount shall include any amount attributable to a change
42 order that directly relates to the scope of work of the original contract.

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

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

45 3. "Contractor" is synonymous with the term "builder" and means any
46 person or organization that undertakes to or offers to undertake to, or
47 purports to have the capacity to undertake to, or submits a bid to, or

1 does personally or by or through others, modify any building, highway,
2 road, railroad, excavation, manufactured building or other structure,
3 project, development or improvement, or to do any part of such a project,
4 including the erection of scaffolding or other structure or works in
5 connection with such a project, and includes subcontractors and specialty
6 contractors. For all purposes of taxation or deduction, this definition
7 shall govern without regard to whether or not such a contractor is acting
8 in fulfillment of a contract.

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

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

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

14 (b) Supervises, performs or coordinates the excavation and
15 completion of site improvements or the setup of a manufactured building,
16 including the contracting, if any, with any subcontractor or specialty
17 contractor for the completion of the contract.

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

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

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

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

28 7. "Modify" means to make a modification or cause a modification to
29 be made.

30 8. "Owner" means the person that holds title to the real property
31 or improvements to real property that is the subject of the work, as well
32 as an agent of the title holder and any person with the authority to
33 perform or authorize work on the real property or improvements, including
34 a tenant and a property manager. For the purposes of subsection ~~⊖~~ P of
35 this section, a person who is hired by a general contractor that is hired
36 by an owner, or a subcontractor of a general contractor that is hired by
37 an owner, is considered to be hired by the owner.

38 9. "Prime contracting" means engaging in business as a prime
39 contractor.

40 10. "Prime contractor" means a contractor who supervises, performs
41 or coordinates the modification of any building, highway, road, railroad,
42 excavation, manufactured building or other structure, project, development
43 or improvement, including the contracting, if any, with any subcontractors
44 or specialty contractors and who is responsible for the completion of the
45 contract. Except as provided in subsections E and ~~⊖~~ R of this section, a
46 person who owns real property, who engages one or more contractors to
47 modify that real property and who does not itself modify that real

1 property is not a prime contractor within the meaning of this paragraph
2 regardless of the existence of a contract for sale or the subsequent sale
3 of that real property.

4 11. "Replacement" means the removal from service of one component
5 or system of existing property or tangible personal property installed in
6 existing property, including machinery or equipment, and the installation
7 of a new component or system or new tangible personal property, including
8 machinery or equipment, that provides the same, a similar or an upgraded
9 design or functionality, regardless of the contract amount and regardless
10 of whether the existing component or system or existing tangible personal
11 property is physically removed from the existing property.

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

14 Sec. 11. Section 42-5159, Arizona Revised Statutes, is amended to
15 read:

16 42-5159. Exemptions

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

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

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

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

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

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

45 6. Tangible personal property brought into this state by an
46 individual who was a nonresident at the time the property was purchased
47 for storage, use or consumption by the individual if the first actual use

1 or consumption of the property was outside this state, unless the property
2 is used in conducting a business in this state.

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

9 8. Purchases of:

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

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

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

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

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

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

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

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

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

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

42 13. Tangible personal property purchased by:

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

46 (b) A hospital operated by this state or a political subdivision of
47 this state.

1 (c) A licensed nursing care institution or a licensed residential
2 care institution or a residential care facility operated in conjunction
3 with a licensed nursing care institution or a licensed kidney dialysis
4 center, which provides medical services, nursing services or health
5 related services and is not used or held for profit.

6 (d) A qualifying health care organization, as defined in section
7 42-5001, if the tangible personal property is used by the organization
8 solely to provide health and medical related educational and charitable
9 services.

10 (e) A qualifying health care organization as defined in section
11 42-5001 if the organization is dedicated to providing educational,
12 therapeutic, rehabilitative and family medical education training for
13 blind and visually impaired children and children with multiple
14 disabilities from the time of birth to age twenty-one.

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

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

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

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

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

31 (h) A person that is not subject to tax under section 42-5075 and
32 that has been provided a copy of a certificate described in section
33 42-5009, subsection L, if the property purchased is incorporated or
34 fabricated by the person into the real property, structure, project,
35 development or improvement described in the certificate.

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

40 (j) A qualifying community health center as defined in section
41 42-5001.

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

45 (l) A person engaged in business under the transient lodging
46 classification if the property is a personal hygiene item or articles used
47 by human beings for food, drink or condiment, except alcoholic beverages,

1 which are furnished without additional charge to and intended to be
2 consumed by the transient during the transient's occupancy.

3 (m) For taxable periods beginning from and after June 30, 2001, a
4 nonprofit charitable organization that has qualified under section
5 501(c)(3) of the internal revenue code and that provides residential
6 apartment housing for low-income persons over sixty-two years of age in a
7 facility that qualifies for a federal housing subsidy, if the tangible
8 personal property is used by the organization solely to provide
9 residential apartment housing for low-income persons over sixty-two years
10 of age in a facility that qualifies for a federal housing subsidy.

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

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

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

23 15. Tangible personal property sold by:

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

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

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

46 16. Drugs and medical oxygen, including delivery hose, mask or
47 tent, regulator and tank, if prescribed by a member of the medical, dental

1 or veterinarian profession who is licensed by law to administer such
2 substances.

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

7 18. Prescription eyeglasses and contact lenses.

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

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

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

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

19 23. 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; 92 Stat.
25 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States Code
26 section 1786).

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

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

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

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

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

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

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

1 31. Coal, petroleum, coke, natural gas, virgin fuel oil and
2 electricity purchased by a qualified environmental technology
3 manufacturer, producer or processor as defined in section 41-1514.02 and
4 directly used or consumed in generating or providing on-site power or
5 energy solely for environmental technology manufacturing, producing or
6 processing or environmental protection. This paragraph applies for twenty
7 full consecutive calendar or fiscal years from the date the first paper
8 manufacturing machine is placed in service. In the case of an
9 environmental technology manufacturer, producer or processor that does not
10 manufacture paper, the time period begins with the date the first
11 manufacturing, processing or production equipment is placed in service.

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

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

16 (b) Public educational institutions.

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

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

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

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

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

44 37. A motor vehicle and any repair and replacement parts and
45 tangible personal property becoming a part of such motor vehicle sold to a
46 motor carrier that is subject to a fee prescribed in title 28, chapter 16,

1 article 4 and that is engaged in the business of leasing or renting such a
2 property.

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

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

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

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

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

37 41. Wireless telecommunications equipment that is held for sale or
38 transfer to a customer as an inducement to enter into or continue a
39 contract for telecommunications services that are taxable under section
40 42-5064.

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

44 43. Tangible personal property purchased by a commercial airline
45 and consisting of food, beverages and condiments and accessories used for
46 serving the food and beverages, if those items are to be provided without
47 additional charge to passengers for consumption in flight. For the

1 purposes of this paragraph, "commercial airline" means a person holding a
2 federal certificate of public convenience and necessity or foreign air
3 carrier permit for air transportation to transport persons, property or
4 United States mail in intrastate, interstate or foreign commerce.

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

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

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

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

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

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

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

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

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

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

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

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

46 52. Repair parts installed in equipment used directly by a
47 qualified business under section 41-1516 in harvesting, processing or

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

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

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

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

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

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

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

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

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

38 56. Cash equivalents, precious metal bullion and monetized bullion
39 purchased by the ultimate consumer, but coins or other forms of money for
40 manufacture into jewelry or works of art are subject to tax, and tangible
41 personal property that is purchased through the redemption of any cash
42 equivalent by the holder as a means of payment for goods that are subject
43 to tax under this article is subject to tax. For the purposes of this
44 paragraph:

45 (a) "Cash equivalents" means items, whether or not negotiable, that
46 are sold to one or more persons, through which a value denominated in
47 money is purchased in advance and that may be redeemed in full or in part

1 for tangible personal property, intangibles or services. Cash equivalents
2 include gift cards, stored value cards, gift certificates, vouchers,
3 traveler's checks, money orders or other tangible instruments or orders.
4 Cash equivalents do not include either of the following:

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

7 (ii) Prepaid calling cards for telecommunications services.

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

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

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

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

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

31 3. Tangible personal property sold to persons engaged in business
32 classified under the telecommunications classification under section
33 42-5064, including a person representing or working on behalf of such a
34 person in a manner described in section 42-5075, subsection ~~⊕~~ P, and
35 consisting of central office switching equipment, switchboards, private
36 branch exchange equipment, microwave radio equipment and carrier equipment
37 including optical fiber, coaxial cable and other transmission media that
38 are components of carrier systems.

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

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

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

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

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

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

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

20 8. Aircraft, navigational and communication instruments and other
21 accessories and related equipment sold to:

22 (a) A person:

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

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

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

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

45 (v) That will lease or otherwise transfer operational control,
46 within the meaning of federal aviation administration operations
47 specification A008, or its successor, of the aircraft, instruments or

1 accessories to one or more persons described in item (i), (ii), (iii) or
2 (iv) of this subdivision, subject to section 42-5009, subsection Q.

3 (b) Any foreign government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

41 (a) Includes the integrated systems, fixtures, piping, movable
42 partitions, lighting and all property that is necessary or adapted to
43 reduce contamination or to control airflow, temperature, humidity,
44 chemical purity or other environmental conditions or manufacturing
45 tolerances, as well as the production machinery and equipment operating in
46 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 ~~θ~~ 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
46 this exemption, the qualified business must obtain and present its
47 certification from the Arizona commerce authority at the time of purchase.

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

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

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

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

21 2. Janitorial equipment and hand tools.

22 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 2. "Aircraft" includes:

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

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

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

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

38 Sec. 12. Title 42, chapter 6, article 1, Arizona Revised Statutes,
39 is amended by adding section 42-6018, to read:

40 42-6018. Distribution of revenue for county stadium district
41 from city or town excise taxes

42 A. BEGINNING OCTOBER 1, 2025 AND EACH MONTH THEREAFTER, A CITY OR
43 TOWN SHALL TRANSMIT FROM THE AMOUNT COLLECTED PURSUANT TO THIS ARTICLE THE
44 AMOUNT DETERMINED UNDER SUBSECTION B OF THIS SECTION TO THE COUNTY STADIUM
45 DISTRICT ESTABLISHED PURSUANT TO TITLE 48, CHAPTER 26 FOR DEPOSIT IN THE
46 COUNTY STADIUM DISTRICT FUND ESTABLISHED PURSUANT TO SECTION 48-4231.

1 B. THE AMOUNT TO BE TRANSMITTED UNDER SUBSECTION A OF THIS SECTION
2 IS THE TOTAL AMOUNT OF TRANSACTION PRIVILEGE, SALES, USE, FRANCHISE OR
3 OTHER SIMILAR TAX OR FEES COLLECTED ON BEHALF OF THE CITY OR TOWN FROM
4 PERSONS ENGAGED IN THE FOLLOWING BUSINESS ACTIVITIES AT, OR WITH RESPECT
5 TO EVENTS HELD AT, A MAJOR LEAGUE BASEBALL FACILITY THAT IS OWNED AND
6 OPERATED BY A COUNTY STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26:

7 1. SELLING TANGIBLE PERSONAL PROPERTY AT RETAIL.

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

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

19 4. PRIME CONTRACTING.

20 C. FOR THE PURPOSES OF THIS SECTION, FROM AND AFTER DECEMBER 30,
21 2025, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES COLLECTED FROM
22 THE BUSINESSES PRESCRIBED IN SUBSECTION B OF THIS SECTION ON THE PREMISES
23 OF A MAJOR LEAGUE BASEBALL FACILITY OWNED OR OPERATED BY A COUNTY STADIUM
24 DISTRICT PURSUANT TO TITLE 48, CHAPTER 26.

25 Sec. 13. Title 42, chapter 6, article 3, Arizona Revised Statutes,
26 is amended by adding section 42-6113, to read:

27 42-6113. Distribution of revenue for county stadium district
28 from county excise taxes

29 A. BEGINNING OCTOBER 1, 2025 AND EACH MONTH THEREAFTER, A COUNTY
30 SHALL TRANSMIT FROM THE AMOUNT COLLECTED PURSUANT TO THIS ARTICLE THE
31 AMOUNT DETERMINED UNDER SUBSECTION B OF THIS SECTION TO THE COUNTY STADIUM
32 DISTRICT ESTABLISHED PURSUANT TO TITLE 48, CHAPTER 26 FOR DEPOSIT IN THE
33 COUNTY STADIUM DISTRICT FUND ESTABLISHED PURSUANT TO SECTION 48-4231.

34 B. THE AMOUNT TO BE TRANSMITTED UNDER SUBSECTION A OF THIS SECTION
35 IS THE TOTAL AMOUNT OF COUNTY EXCISE TAXES COLLECTED ON BEHALF OF THE
36 COUNTY FROM PERSONS ENGAGED IN THE FOLLOWING BUSINESS ACTIVITIES AT, OR
37 WITH RESPECT TO EVENTS HELD AT, A MAJOR LEAGUE BASEBALL FACILITY THAT IS
38 OWNED AND OPERATED BY A COUNTY STADIUM DISTRICT PURSUANT TO TITLE 48,
39 CHAPTER 26:

40 1. SELLING TANGIBLE PERSONAL PROPERTY AT RETAIL.

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

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

5 4. PRIME CONTRACTING.

6 C. FOR THE PURPOSES OF THIS SECTION, FROM AND AFTER DECEMBER 30,
7 2025, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES COLLECTED
8 PURSUANT TO SECTIONS 42-6105.01 AND 42-6109.01 FROM THE BUSINESSES
9 PRESCRIBED IN SUBSECTION B OF THIS SECTION ON THE PREMISES OF A MAJOR
10 LEAGUE BASEBALL FACILITY OWNED OR OPERATED BY A COUNTY STADIUM DISTRICT
11 PURSUANT TO TITLE 48, CHAPTER 26.

12 Sec. 14. Section 43-206, Arizona Revised Statutes, is amended to
13 read:

14 43-206. Urban revenue sharing fund; allocation; distribution;
15 withholding

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

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

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

40 D. A newly incorporated city or town shall share in the urban
41 revenue sharing fund beginning the first month of the first full fiscal
42 year following incorporation.

43 E. On receipt of a certificate of default from the greater Arizona
44 development authority pursuant to section 41-2257 or 41-2258, the state
45 treasurer, to the extent not otherwise expressly prohibited by law, shall
46 withhold from the next succeeding distribution of monies pursuant to this
47 section due to the city or town the amount specified in the certificate of

1 default and immediately deposit the amount withheld in the greater Arizona
2 development authority revolving fund. The state treasurer shall continue
3 to withhold and deposit the monies until the authority certifies to the
4 state treasurer that the default has been cured. The state treasurer may
5 not withhold any amount that is necessary, as certified by the defaulting
6 political subdivision to the state treasurer and the authority, to make
7 any required deposits then due for the payment of principal and interest
8 on bonds of the political subdivision that were issued before the date of
9 the loan repayment agreement or bonds and that have been secured by a
10 pledge of distributions made pursuant to this section.

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

27 G. THE AMOUNT REPORTED TO THE DEPARTMENT PURSUANT TO SECTION
28 43-209, SUBSECTION D FOR A TAXABLE YEAR SHALL BE INCLUDED WHEN DETERMINING
29 THE NET PROCEEDS OF THE STATE INCOME TAXES FOR THE FISCAL YEAR FOR THE
30 PURPOSES OF THE DISTRIBUTION REQUIRED BY SUBSECTION A OF THIS SECTION.

31 Sec. 15. Section 43-209, Arizona Revised Statutes, is amended to
32 read:

33 43-209. Collection of tax on income of professional athletes
34 earned in this state; separate accounting for tax
35 revenue from professional football and baseball;
36 definitions

37 A. The department shall adopt and enforce rules for the collection
38 of tax under this title on the income earned for services rendered in this
39 state by professional athletes and employees of professional sport
40 franchise organizations.

41 B. On or before December 31 of each year each professional football
42 franchise organization AND PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION
43 that is domiciled in this state shall provide to the department the
44 federal taxpayer identification number, assigned pursuant to section 6109
45 of the internal revenue code, for each resident and nonresident employee
46 of the organization who rendered services in this state for the
47 organization during the calendar year. Unless due to reasonable cause and

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

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

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

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

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

23 1. ANY PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT IS
24 DOMICILED IN THIS STATE.

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

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

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

36 2. "Professional football franchise organization" means an
37 organization that has the right to field a team for participation in
38 professional football contests scheduled by a nationwide league during a
39 regular season held in the months of September through December each year.

40 <<Sec. 16. Section 48-4203, Arizona Revised Statutes, is amended to
41 read:

42 48-4203. Powers and duties of board of directors; report;
43 conflict of interest

44 A. The board of directors, on behalf of the district, may:

45 1. Adopt and use a corporate seal.

46 2. Sue and be sued.

1 3. Enter into contracts, including intergovernmental agreements
2 under title 11, chapter 7, article 3, as necessary to carry out the
3 purposes and requirements of this chapter. The district may contract with
4 a county sports authority established under title 11, chapter 5 to carry
5 out any power of the district.

6 4. Adopt administrative rules as necessary to administer and
7 operate the district and any property under its jurisdiction.

8 5. Adopt rules that allow weighted voting by board members and
9 establish conditions for terminating the district.

10 6. Employ an executive director and administrative and clerical
11 employees, or contract for other management personnel, and prescribe the
12 terms and conditions of their employment as necessary to carry out the
13 purposes of the district.

14 7. Acquire by any lawful means and operate, maintain, encumber and
15 dispose of real and personal property and interests in property. A
16 district established under section 48-4202, subsection A may acquire real
17 property by eminent domain. A district established under section 48-4202,
18 subsection B shall not acquire real property by eminent domain. A
19 district established under section 48-4202, subsection C shall not acquire
20 or own real property or interests in real property.

21 8. Administer trusts declared or established for the district,
22 receive and hold in trust or otherwise property located in or out of this
23 state and, if not otherwise provided, dispose of the property for the
24 benefit of the district.

25 9. Retain legal counsel and other consultants as necessary to carry
26 out the purposes of the district.

27 B. The board of directors, on behalf of a district established
28 pursuant to section 48-4202, subsection B, may:

29 1. Use revenues paid to the district pursuant to section 42-5031
30 and other revenues the district may receive from other sources, for the
31 purposes set forth in section 48-4204, subsection B.

32 2. Enter into agreements with developers, contractors, tenants and
33 other users of all or part of a multipurpose facility as determined
34 appropriate.

35 3. Pledge all or part of the revenues described in section 42-5031,
36 subsection B to secure the district's bonds or other financial obligations
37 issued or incurred under this chapter for the construction of all or part
38 of a multipurpose facility.

39 C. The board of directors of a district established pursuant to
40 section 48-4202, subsection B shall provide public outreach and education
41 on the purpose and activities of the district, including:

42 1. Presentations to the governing bodies of the municipalities in
43 the county in which the district is located.

44 2. Presentations to community, civic and business organizations.

45 3. Printed or electronic materials that support the purposes of
46 this subsection.

47 D. The board of directors shall:

1 1. Appoint from among its members a ~~[chairman]~~[CHAIRPERSON], a
2 secretary and such other officers as may be necessary to conduct its
3 business. The board of directors may appoint the chief financial officer
4 of the county as the district treasurer of a countywide district
5 established under section 48-4202, subsection A. If the board does not
6 appoint the chief financial officer, the county treasurer is designated ex
7 officio as the treasurer. The board of directors of a district that is
8 established pursuant to section 48-4202, subsection B shall designate a
9 member of the board with financial management or accounting experience or
10 a person with whom the board has contracted for financial management as
11 treasurer of the district. The county treasurer is designated ex officio
12 as the treasurer of a district that is established pursuant to section
13 48-4202, subsection C.

14 2. Keep and maintain a complete and accurate record of all its
15 proceedings. All proceedings and records of the board shall be open to
16 the public as required by title 38, chapter 3, article 3.1 and title 39,
17 chapter 1.

18 3. Provide for the use, maintenance and operation of the properties
19 and interests controlled by the district.

20 E. The board of directors of a district that is established
21 pursuant to section 48-4202, subsection B shall:

22 1. Determine by agreement the distribution of revenues from
23 operating and using the multipurpose facilities among the municipalities
24 and any participating Indian tribe or community.

25 2. Report to the legislature by October 1 of each year regarding
26 the activities, operations, revenues and expenditures of the district for
27 the immediately preceding fiscal year. The board shall submit the annual
28 report to the president of the senate and the speaker of the house of
29 representatives and provide a copy of the report to the secretary of
30 state. At the discretion of the chairpersons of the senate finance
31 committee and the house of representatives ways and means committee, or
32 their successor committees, the committees may hold separate or joint
33 hearings to consider the annual report prepared by the district.

34 3. Present to the joint legislative committee on capital review
35 each project for the construction or reconstruction of any facility,
36 structure, infrastructure or other improvement to real property of any
37 kind in an amount exceeding ~~[five hundred thousand dollars]~~[\$500,000].

38 [F. ON OR BEFORE NOVEMBER 1 OF EACH YEAR, THE BOARD OF DIRECTORS OF
39 A DISTRICT THAT IS ESTABLISHED PURSUANT TO SECTION 48-4202, SUBSECTION A
40 SHALL REPORT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE GOVERNOR'S
41 OFFICE OF STRATEGIC PLANNING AND BUDGETING REGARDING ALL NEW MAINTENANCE
42 AND OPERATIONS PROJECTS THAT COST MORE THAN \$1,000,000 THAT ARE PAID FOR
43 BY THE DISTRICT FROM MONIES TRANSMITTED PURSUANT TO SECTION 42-1116,
44 SUBSECTION D AND SECTIONS 42-5032.03, 42-6018 AND 42-6113.]

1 ~~[F.]~~ [G.] The directors, officers and employees of the district are
2 subject to title 38, chapter 3, article 8 relating to conflicts of
3 interest.

4 ~~[G.]~~ [H.] This state and political subdivisions of this state other
5 than the district are not liable for any financial or other obligations of
6 the district and the financial or other obligations do not constitute a
7 debt or liability of this state or any political subdivision of this
8 state, other than the district. >>

9 Sec. 17. Section 48-4231, Arizona Revised Statutes, is amended to
10 read:

11 48-4231. County stadium district fund

12 A. The district treasurer shall maintain a county stadium district
13 fund consisting of all monies received by the district, including:

14 1. Payments received from leasing, subleasing or renting property
15 owned, leased or controlled by the district.

16 2. Revenues received by the district from admissions and
17 concessions and other proceeds from events held at a stadium owned or
18 leased by the district.

19 3. Monies received from issuing and selling bonds under article 3
20 of this chapter.

21 4. MONIES TRANSMITTED PURSUANT TO SECTION 42-1116, SUBSECTION D AND
22 SECTIONS 42-5032.03, 42-6018 AND 42-6113.

23 ~~4.~~ 5. Interest and other income received from investing monies in
24 the fund.

25 ~~5.~~ 6. Gifts, grants and donations received for that purpose from
26 any public or private source.

27 B. EXCEPT AS PROVIDED IN SUBSECTION E OF THIS SECTION, monies in
28 the fund may be used for any lawful purpose of the district.

29 C. The district treasurer may invest any unexpended monies in the
30 fund as provided in title 35, chapter 2. Notwithstanding section 35-323,
31 the district treasurer may invest and reinvest monies in the fund, other
32 than operating fund monies, in eligible investments with a maturity of
33 greater than five years. Interest and other income from investments shall
34 be credited to the fund. The district treasurer shall invest the monies
35 so as to mature at the times when the fund assets will be required for the
36 purposes of this article. If the liquid assets in the fund become
37 insufficient to meet the district's obligations, the board of directors
38 shall direct the district treasurer to liquidate sufficient securities to
39 meet all of the current obligations and immediately notify the auditor
40 general of the insufficiency, and the auditor general shall investigate
41 and audit the circumstances surrounding the depletion of the fund and
42 report the auditor general's findings to the board.

1 D. Except as provided by section 48-4231.01, the board of directors
2 shall cause an annual audit to be conducted of the fund by an independent
3 certified public accountant within one hundred twenty days after the end
4 of the fiscal year. The board shall immediately file a certified copy of
5 the audit with the auditor general. The auditor general may make such
6 further audits and examinations as the auditor general deems necessary,
7 but if the auditor general takes no official action within thirty days
8 after the audit is filed, the audit is deemed sufficient. The board of
9 directors shall pay all fees and costs of the certified public accountant
10 and auditor general under this subsection from the fund.

11 E. MONIES TRANSMITTED PURSUANT TO SECTION 42-1116, SUBSECTION D AND
12 SECTIONS 42-5032.03, 42-6018 AND 42-6113 SHALL BE USED FOR RECONSTRUCTING,
13 EQUIPPING, REPAIRING, MAINTAINING OR IMPROVING THE MAJOR LEAGUE BASEBALL
14 FACILITY OWNED AND OPERATED BY THE DISTRICT. [ANY INDIVIDUAL, INCLUDING
15 AN EMPLOYEE OF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION, IS
16 SUBJECT TO TITLE 38, CHAPTER 3, ARTICLE 8 RELATING TO CONFLICTS OF
17 INTEREST FOR THE PURPOSES OF SPENDING THE MONIES TRANSMITTED PURSUANT TO
18 SECTION 42-1116, SUBSECTION D AND SECTIONS 42-5032.03, 42-6018 AND
19 42-6113.]

20 <<Sec. 18. Title 48, chapter 26, article 2, Arizona Revised
21 Statutes, is amended by adding section 48-4238, to read:

22 48-4238. Notice; penalty; transaction privilege tax return

23 [IF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES
24 THE MAJOR LEAGUE BASEBALL FACILITY OWNED AND OPERATED BY THE DISTRICT
25 LEAVES THIS STATE, THE DISTRICT TREASURER SHALL:

26 1. NOTIFY THE STATE TREASURER AND THE DEPARTMENT OF REVENUE THAT
27 THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES THE MAJOR
28 LEAGUE BASEBALL FACILITY OWNED AND OPERATED BY THE DISTRICT LEFT THIS
29 STATE, ON RECEIVING THE NOTICE:

30 (a) THE STATE TREASURER MAY NOT CONTINUE TO TRANSMIT MONIES
31 PURSUANT TO SECTION 42-1116, SUBSECTION D AND SECTIONS 42-5032.03, 42-6018
32 AND 42-6133.

33 (b) THE STATE TREASURER SHALL ASSESS A PENALTY AGAINST THE
34 PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION AND DEPOSIT, PURSUANT TO
35 SECTIONS 35-146 AND 35-147, IN THE STATE GENERAL FUND THE PENALTY IN THE
36 FOLLOWING AMOUNTS:

37 (i) \$10,000,000 IF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION
38 LEAVES THIS STATE ON OR BEFORE OCTOBER 1, 2035.

39 (ii) \$5,000,000 IF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION
40 LEAVES THIS STATE ON OR BEFORE OCTOBER 1, 2045.

41 (iii) \$1,000,000 IF THE PROFESSIONAL BASEBALL FRANCHISE
42 ORGANIZATION LEAVES THIS STATE ON OR BEFORE OCTOBER 1, 2050.

43 (c) THE DEPARTMENT OF REVENUE MAY STOP SEPARATELY ACCOUNTING FOR
44 THE REVENUES THAT WERE SUBJECT TO TRANSMISSION.

1 2. RETURN ANY REMAINING MONIES TRANSMITTED PURSUANT TO SECTION
2 42-1116. SUBSECTION D AND SECTIONS 42-5032.03, 42-6018 AND 42-6113 THAT
3 ARE UNEXPENDED AND UNENCUMBERED TO THE TAXING JURISDICTION FROM WHICH THE
4 MONIES WERE GENERATED.]

5 Enroll and engross to conform

6 Amend title to conform

JEFF WENINGER

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C: ED