

REFERENCE TITLE: data centers; TPT distribution; solar

State of Arizona  
House of Representatives  
Fifty-seventh Legislature  
Second Regular Session  
2026

## **HB 2702**

Introduced by  
Representatives Garcia: Abeytia, Austin, De Los Santos, Gutierrez,  
Márquez, Sandoval, Simacek, Stahl Hamilton, Villegas; Senator Kuby

### AN ACT

AMENDING TITLE 41, CHAPTER 1, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-117; REPEALING SECTION 41-117, ARIZONA REVISED STATUTES; REPEALING SECTION 41-1519, ARIZONA REVISED STATUTES; AMENDING SECTIONS 42-2003 AND 42-5029, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 5, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-5032.04; AMENDING SECTION 42-5061, ARIZONA REVISED STATUTES; AMENDING SECTION 42-5159, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2025, CHAPTER 135, SECTION 2 AND CHAPTER 247, SECTION 2; REPEALING SECTION 42-5159, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2025, CHAPTER 251, SECTION 13; AMENDING SECTION 42-6004, ARIZONA REVISED STATUTES; RELATING TO COMPUTER DATA CENTERS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 41, chapter 1, article 1, Arizona Revised  
3 Statutes, is amended by adding section 41-117, to read:

4 41-117. Arizona solar for all program; fund; definitions

5 A. THE ARIZONA SOLAR FOR ALL PROGRAM IS ESTABLISHED IN THE  
6 GOVERNOR'S OFFICE OF RESILIENCY, OR ITS SUCCESSOR OFFICE, TO PROVIDE  
7 FUNDING, TECHNICAL ASSISTANCE, WORKFORCE DEVELOPMENT SUPPORT AND OUTREACH  
8 TO ENABLE ELIGIBLE HOUSEHOLDS AND DISADVANTAGED COMMUNITIES TO DEPLOY OR  
9 BENEFIT FROM DISTRIBUTED SOLAR ENERGY SYSTEMS.

10 B. THE DIRECTOR SHALL:

11 1. DEVELOP A MULTIYEAR PLAN TO IMPLEMENT THE PROGRAM. THE PLAN  
12 SHALL INCLUDE PERFORMANCE GOALS, ELIGIBLE USES OF FUND MONIES AND METRICS  
13 FOR TRACKING ENERGY COST SAVINGS, EMISSIONS REDUCTIONS AND WORKFORCE  
14 OUTCOMES.

15 2. NOTWITHSTANDING CHAPTER 24 OF THIS TITLE, ESTABLISH AN OPEN AND  
16 COMPETITIVE APPLICATION PROCESS FOR AN ELIGIBLE ENTITY TO RECEIVE MONIES  
17 FROM THE FUND, INCLUDING SUBMITTING A DETAILED WORK PLAN, BUDGET AND  
18 PROJECT TIMELINE AND PERFORMANCE TARGETS, AND PUBLISH GUIDELINES THROUGH A  
19 NOTICE OF FUNDING OPPORTUNITY.

20 3. PRIORITIZE APPLICATIONS FROM ELIGIBLE ENTITIES WHOSE PROJECTS:

21 (a) PROVIDE TO ELIGIBLE HOUSEHOLDS DIRECT ELECTRICITY BILL SAVINGS  
22 OF AT LEAST TWENTY PERCENT OF ANNUAL ELECTRICITY COSTS.

23 (b) ARE LOCATED IN DISADVANTAGED COMMUNITIES OR SERVE ELIGIBLE  
24 HOUSEHOLDS IN DISADVANTAGED COMMUNITIES.

25 (c) INCLUDE WORKFORCE DEVELOPMENT AND LOCAL HIRING COMMITMENTS. THE  
26 DIRECTOR MAY ESTABLISH MINIMUM LABOR REQUIREMENTS FOR PROJECTS BY RULE.

27 (d) LEVERAGE PRIVATE CAPITAL OR OTHER FINANCIAL RESOURCES TO  
28 MAXIMIZE A PROJECT'S SCALE.

29 4. ALLOW MEMBERS OF AN INDIAN TRIBE THAT QUALIFIES AS AN ELIGIBLE  
30 HOUSEHOLD TO DIRECTLY APPLY FOR A GRANT OR SUBSIDIZED FINANCING TO INSTALL  
31 A DISTRIBUTED SOLAR ENERGY SYSTEM ON THE MEMBER'S PROPERTY, INCLUDING  
32 TECHNICAL AND DESIGN ASSISTANCE.

33 5. IDENTIFY DISADVANTAGED COMMUNITIES IN THIS STATE THAT ARE  
34 EXPERIENCING ELEVATED ENERGY BURDEN, ENVIRONMENTAL JUSTICE CONCERNS, LOW  
35 REPRESENTATION IN CLEAN ENERGY INVESTMENT OR OTHER FACTORS AS DETERMINED  
36 BY RULE BASED ON OBJECTIVE CRITERIA, INCLUDING INCOME LEVELS, ENERGY  
37 BURDEN, CUMULATIVE POLLUTION EXPOSURE, SOCIAL VULNERABILITY INDICES AND  
38 LACK OF ACCESS TO CLEAN ENERGY INFRASTRUCTURE.

39 6. COORDINATE WITH THE CORPORATION COMMISSION, UTILITIES AND OTHER  
40 STAKEHOLDERS TO STREAMLINE INTERCONNECTION, PERMITTING AND BILLING FOR  
41 DISTRIBUTED SOLAR ENERGY SYSTEMS IN DISADVANTAGED COMMUNITIES.

42 7. COORDINATE WITH THE ARIZONA COMMERCE AUTHORITY, THE CORPORATION  
43 COMMISSION AND OTHER AGENCIES AS APPROPRIATE TO IMPLEMENT AND ADMINISTER  
44 THE PROGRAM.

1           8. BEGINNING ON SEPTEMBER 1, 2027 AND EACH YEAR THEREAFTER, SUBMIT  
2 A REPORT THAT SUMMARIZES THE STATEWIDE PROGRAM RESULTS, INCLUDING PROGRAM  
3 CHALLENGES AND RECOMMENDATIONS, TO THE GOVERNOR, THE PRESIDENT OF THE  
4 SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND PROVIDE A COPY  
5 OF THIS REPORT TO THE SECRETARY OF STATE.

6           C. THE GOVERNOR'S OFFICE OF RESILIENCY MAY ADOPT RULES PURSUANT TO  
7 CHAPTER 6 OF THIS TITLE TO CARRY OUT THIS SECTION.

8           D. THE ARIZONA SOLAR FOR ALL PROGRAM FUND IS ESTABLISHED CONSISTING  
9 OF MONIES DISTRIBUTED PURSUANT TO SECTION 42-5032.04, LEGISLATIVE  
10 APPROPRIATIONS AND MONIES RECEIVED FROM ANY LAWFUL PUBLIC OR PRIVATE  
11 SOURCE. THE GOVERNOR'S OFFICE OF RESILIENCY SHALL ADMINISTER THE FUND.  
12 INTEREST EARNED ON MONIES IN THE FUND SHALL BE CREDITED TO THE FUND.  
13 MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED AND EXEMPT FROM THE  
14 PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF APPROPRIATIONS.

15           E. THE DIRECTOR SHALL DISTRIBUTE MONIES FROM THE FUND TO ELIGIBLE  
16 ENTITIES AND ELIGIBLE HOUSEHOLDS OF MEMBERS OF AN INDIAN TRIBE TO  
17 IMPLEMENT APPROVED PROJECTS UNDER THE PROGRAM, INCLUDING PROJECTS TO  
18 PROVIDE:

19           1. INCENTIVES, GRANTS OR SUBSIDIZED FINANCING TO INSTALL  
20 DISTRIBUTED SOLAR ENERGY SYSTEMS ON ELIGIBLE HOUSEHOLDS OR MULTIFAMILY  
21 AFFORDABLE HOUSING SITES IN DISADVANTAGED COMMUNITIES.

22           2. COMMUNITY SOLAR PROJECTS THAT SERVE ELIGIBLE HOUSEHOLDS AND  
23 DISADVANTAGED COMMUNITIES.

24           3. TECHNICAL ASSISTANCE, PROGRAM DESIGN AND OUTREACH TO  
25 DISADVANTAGED COMMUNITIES.

26           4. WORKFORCE TRAINING AND JOB PLACEMENT PROGRAMS THAT ARE FOCUSED  
27 ON CLEAN ENERGY AND SOLAR DEPLOYMENT IN DISADVANTAGED COMMUNITIES.

28           5. ACTIVITIES TO ADDRESS NONFINANCIAL BARRIERS TO DEPLOYMENT,  
29 INCLUDING SITE SELECTION, PERMITTING, INTERCONNECTION, TENANT-LANDLORD  
30 ARRANGEMENTS AND REGULATORY COMPLIANCE.

31           F. AN ELIGIBLE ENTITY THAT RECEIVES FUND MONIES SHALL:

32           1. ENCOURAGE LOCAL HIRING, APPRENTICESHIP PARTICIPATION AND  
33 WORKFORCE DEVELOPMENT FOR DISADVANTAGED COMMUNITIES.

34           2. REPORT ANNUALLY TO THE DIRECTOR ON ALL OF THE FOLLOWING:

35           (a) THE NUMBER OF ELIGIBLE HOUSEHOLDS SERVED.

36           (b) INSTALLED SOLAR CAPACITY MEASURED IN KILOWATTS OR MEGAWATTS.

37           (c) THE ESTIMATED ANNUAL ELECTRICITY BILL SAVINGS PER HOUSEHOLD.

38           (d) THE ESTIMATED LIFETIME SAVINGS FOR HOUSEHOLDS.

39           (e) THE ESTIMATED AVOIDED GREENHOUSE GAS EMISSIONS.

40           (f) WORKFORCE TRAINING AND JOB OUTCOMES, INCLUDING THE NUMBER OF  
41 JOBS CREATED AND LOCAL HIRING METRICS.

42           (g) THE TOTAL AMOUNT OF PRIVATE CAPITAL LEVERAGED FOR THE PROJECTS.

43           (h) ANY OTHER INFORMATION THE DIRECTOR DEEMS NECESSARY.

44           G. A UTILITY MAY NOT IMPOSE DISCRIMINATORY ADDITIONAL FEES ON  
45 ELIGIBLE HOUSEHOLDS PARTICIPATING IN A PROJECT FUNDED PURSUANT TO THIS

1 SECTION, INCLUDING A CONNECTION OR INTERCONNECTION FEE THAT IS ABOVE A  
2 STANDARD UTILITY CHARGE, SOLELY BY REASON OF PARTICIPATING IN A PROJECT  
3 FUNDED PURSUANT TO THIS SECTION.

4 H. FOR THE PURPOSES OF THIS SECTION:

5 1. "DIRECTOR" MEANS THE DIRECTOR OF THE GOVERNOR'S OFFICE OF  
6 RESILIENCY, OR ITS SUCCESSOR OFFICE.

7 2. "DISADVANTAGED COMMUNITY" MEANS A COMMUNITY THAT IS IDENTIFIED  
8 BY THE DIRECTOR PURSUANT TO SUBSECTION B, PARAGRAPH 5 OF THIS SECTION.

9 3. "DISTRIBUTED SOLAR ENERGY SYSTEM" MEANS A PHOTOVOLTAIC SYSTEM,  
10 EITHER ROOFTOP OR COMMUNITY SOLAR, THAT IS LOCATED ON OR SERVING A  
11 RESIDENCE, MULTIFAMILY AFFORDABLE HOUSING OR A COMMUNITY SITE AND THAT HAS  
12 A CAPACITY OF UP TO ONE HUNDRED KILOWATTS FOR SINGLE-FAMILY OR AS  
13 PRESCRIBED FOR MULTIFAMILY OR AGGREGATED SITES.

14 4. "ELIGIBLE ENTITY" MEANS:

15 (a) A STATE OR LOCAL GOVERNMENT AGENCY.

16 (b) A TRIBAL GOVERNMENT.

17 (c) A NONPROFIT ORGANIZATION.

18 (d) A UTILITY, COMMUNITY SOLAR DEVELOPER OR THIRD-PARTY OWNER.

19 (e) A COALITION OF ANY OF THE ELIGIBLE ENTITIES DESCRIBED IN  
20 SUBDIVISIONS (a) THROUGH (d) OF THIS PARAGRAPH.

21 5. "ELIGIBLE HOUSEHOLD" MEANS A RESIDENTIAL CONSUMER WHO IS A  
22 RESIDENT OF THIS STATE AND WHOSE HOUSEHOLD INCOME IS AT OR BELOW EIGHTY  
23 PERCENT OF THE AREA MEDIAN INCOME OR AS OTHERWISE DEFINED BY RULE.

24 6. "FUND" MEANS THE ARIZONA SOLAR FOR ALL PROGRAM FUND.

25 7. "PROGRAM" MEANS THE ARIZONA SOLAR FOR ALL PROGRAM.

26 8. "THIRD-PARTY OWNER" MEANS A PERSON THAT OWNS A DISTRIBUTED SOLAR  
27 ENERGY SYSTEM AND THAT ENTERS INTO A CONTRACT OR POWER PURCHASE AGREEMENT  
28 WITH AN ELIGIBLE HOUSEHOLD OR HOSTS A SYSTEM THAT SERVES ELIGIBLE  
29 HOUSEHOLDS.

30 Sec. 2. Delayed repeal

31 Section 41-117, Arizona Revised Statutes, as added by this act, is  
32 repealed from and after June 30, 2036.

33 Sec. 3. Repeal

34 Section 41-1519, Arizona Revised Statutes, is repealed.

35 Sec. 4. Section 42-2003, Arizona Revised Statutes, is amended to  
36 read:

37 42-2003. Authorized disclosure of confidential information

38 A. Confidential information relating to:

39 1. A taxpayer may be disclosed to the taxpayer, its successor in  
40 interest or a designee of the taxpayer who is authorized in writing by the  
41 taxpayer. A principal corporate officer of a parent corporation may  
42 execute a written authorization for a controlled subsidiary. If a  
43 taxpayer elects to file an Arizona small business income tax return under  
44 section 43-302, a written authorization by the taxpayer to allow the

1 department to disclose personal income tax information to a designee  
2 includes the corresponding Arizona small business income tax return.

3 2. A corporate taxpayer may be disclosed to any principal officer,  
4 any person designated by a principal officer or any person designated in a  
5 resolution by the corporate board of directors or other similar governing  
6 body. If a corporate officer signs a statement under penalty of perjury  
7 representing that the officer is a principal officer, the department may  
8 rely on the statement until the statement is shown to be false. For the  
9 purposes of this paragraph, "principal officer" includes a chief executive  
10 officer, president, secretary, treasurer, vice president of tax, chief  
11 financial officer, chief operating officer or chief tax officer or any  
12 other corporate officer who has the authority to bind the taxpayer on  
13 matters related to state taxes.

14 3. A partnership may be disclosed to any partner of the  
15 partnership. This exception does not include disclosure of confidential  
16 information of a particular partner unless otherwise authorized.

17 4. A limited liability company may be disclosed to any member of  
18 the company or, if the company is manager-managed, to any manager.

19 5. An estate may be disclosed to the personal representative of the  
20 estate and to any heir, next of kin or beneficiary under the will of the  
21 decedent if the department finds that the heir, next of kin or beneficiary  
22 has a material interest that will be affected by the confidential  
23 information.

24 6. A trust may be disclosed to the trustee or trustees, jointly or  
25 separately, and to the grantor or any beneficiary of the trust if the  
26 department finds that the grantor or beneficiary has a material interest  
27 that will be affected by the confidential information.

28 7. A government entity may be disclosed to the head of the entity  
29 or a member of the governing board of the entity, or any employee of the  
30 entity who has been delegated the authorization in writing by the head of  
31 the entity or the governing board of the entity.

32 8. Any taxpayer may be disclosed if the taxpayer has waived any  
33 rights to confidentiality either in writing or on the record in any  
34 administrative or judicial proceeding.

35 9. The name and taxpayer identification numbers of persons issued  
36 direct payment permits may be publicly disclosed.

37 10. Any taxpayer may be disclosed during a meeting or telephone  
38 call if the taxpayer is present during the meeting or telephone call and  
39 authorizes the disclosure of confidential information.

40 B. Confidential information may be disclosed to:

41 1. Any employee of the department whose official duties involve tax  
42 administration.

43 2. The office of the attorney general solely for its use in  
44 preparation for, or in an investigation that may result in, any proceeding  
45 involving tax administration before the department or any other agency or

1 board of this state, or before any grand jury or any state or federal  
2 court.

3 3. The department of liquor licenses and control for its use in  
4 determining whether a spirituous liquor licensee has paid all transaction  
5 privilege taxes and affiliated excise taxes incurred as a result of the  
6 sale of spirituous liquor, as defined in section 4-101, at the licensed  
7 establishment and imposed on the licensed establishments by this state and  
8 its political subdivisions.

9 4. Other state tax officials whose official duties require the  
10 disclosure for proper tax administration purposes if the information is  
11 sought in connection with an investigation or any other proceeding  
12 conducted by the official. Any disclosure is limited to information of a  
13 taxpayer who is being investigated or who is a party to a proceeding  
14 conducted by the official.

15 5. The following agencies, officials and organizations, if they  
16 grant substantially similar privileges to the department for the type of  
17 information being sought, pursuant to statute and a written agreement  
18 between the department and the foreign country, agency, state, Indian  
19 tribe or organization:

20 (a) The United States internal revenue service, alcohol and tobacco  
21 tax and trade bureau of the United States treasury, United States bureau  
22 of alcohol, tobacco, firearms and explosives of the United States  
23 department of justice, United States drug enforcement agency and federal  
24 bureau of investigation.

25 (b) A state tax official of another state.

26 (c) An organization of states, federation of tax administrators or  
27 multistate tax commission that operates an information exchange for tax  
28 administration purposes.

29 (d) An agency, official or organization of a foreign country with  
30 responsibilities that are comparable to those listed in subdivision (a),  
31 (b) or (c) of this paragraph.

32 (e) An agency, official or organization of an Indian tribal  
33 government with responsibilities comparable to the responsibilities of the  
34 agencies, officials or organizations identified in subdivision (a), (b) or  
35 (c) of this paragraph.

36 6. The auditor general, in connection with any audit of the  
37 department subject to the restrictions in section 42-2002, subsection D.

38 7. Any person to the extent necessary for effective tax  
39 administration in connection with:

40 (a) The processing, storage, transmission, destruction and  
41 reproduction of the information.

42 (b) The programming, maintenance, repair, testing and procurement  
43 of equipment for purposes of tax administration.

44 (c) The collection of the taxpayer's civil liability.

- 1           8. The office of administrative hearings relating to taxes  
2 administered by the department pursuant to section 42-1101, but the  
3 department shall not disclose any confidential information without the  
4 taxpayer's written consent:
- 5           (a) Regarding income tax or withholding tax.  
6           (b) On any tax issue relating to information associated with the  
7 reporting of income tax or withholding tax.
- 8           9. The United States treasury inspector general for tax  
9 administration for the purpose of reporting a violation of internal  
10 revenue code section 7213A (26 United States Code section 7213A),  
11 unauthorized inspection of returns or return information.
- 12           10. The financial management service of the United States treasury  
13 department for use in the treasury offset program.
- 14           11. The United States treasury department or its authorized agent  
15 for use in the state income tax levy program and in the electronic federal  
16 tax payment system.
- 17           12. The Arizona commerce authority for its use in:  
18           (a) Qualifying renewable energy operations for the tax incentives  
19 under section 42-12006.  
20           (b) Qualifying businesses with a qualified facility for income tax  
21 credits under sections 43-1083.03 and 43-1164.04.  
22           (c) Fulfilling its annual reporting responsibility pursuant to  
23 section 41-1512, subsections U and V and section 41-1517, subsection L.  
24           ~~(d) Certifying computer data centers for tax relief under section~~  
25 ~~41-1519.~~  
26           ~~(e)~~ (d) Certifying applicants for the tax credit for motion  
27 picture production costs under sections 43-1082 and 43-1165.
- 28           13. A prosecutor for purposes of section 32-1164, subsection C.
- 29           14. The office of the state fire marshal for use in determining  
30 compliance with and enforcing title 37, chapter 9, article 5.
- 31           15. The department of transportation for its use in administering  
32 taxes, surcharges and penalties prescribed by title 28.
- 33           16. The Arizona health care cost containment system administration  
34 for its use in administering nursing facility provider assessments.
- 35           17. The department of administration risk management division and  
36 the office of the attorney general if the information relates to a claim  
37 against this state pursuant to section 12-821.01 involving the department  
38 of revenue.
- 39           18. Another state agency if the taxpayer authorizes the disclosure  
40 of confidential information in writing, including an authorization that is  
41 part of an application form or other document submitted to the agency.
- 42           19. The department of economic security for its use in determining  
43 whether an employer has paid all amounts due under the unemployment  
44 insurance program pursuant to title 23, chapter 4.

1           20. The department of health services for its use in determining  
2 the following:

3           (a) Whether a medical marijuana dispensary is in compliance with  
4 the tax requirements of chapter 5 of this title for the purposes of  
5 section 36-2806, subsection A.

6           (b) Whether a marijuana establishment, marijuana testing facility  
7 or dual licensee licensed under title 36, chapter 28.2 is in compliance  
8 with the tax obligations under this title or title 43.

9           21. The Arizona department of agriculture for the purpose of  
10 ascertaining compliance with the licensing provisions in title 3.

11           22. The office of economic opportunity for the purpose of  
12 performing the duties and obligations to or on behalf of this state  
13 prescribed by title 41, chapter 53.

14           C. Confidential information may be disclosed in any state or  
15 federal judicial or administrative proceeding pertaining to tax  
16 administration pursuant to the following conditions:

17           1. One or more of the following circumstances must apply:

18           (a) The taxpayer is a party to the proceeding.

19           (b) The proceeding arose out of, or in connection with, determining  
20 the taxpayer's civil or criminal liability, or the collection of the  
21 taxpayer's civil liability, with respect to any tax imposed under this  
22 title or title 43.

23           (c) The treatment of an item reflected on the taxpayer's return is  
24 directly related to the resolution of an issue in the proceeding.

25           (d) Return information directly relates to a transactional  
26 relationship between a person who is a party to the proceeding and the  
27 taxpayer and directly affects the resolution of an issue in the  
28 proceeding.

29           2. Confidential information may not be disclosed under this  
30 subsection if the disclosure is prohibited by section 42-2002, subsection  
31 C or D.

32           D. Identity information may be disclosed for purposes of notifying  
33 persons entitled to tax refunds if the department is unable to locate the  
34 persons after reasonable effort.

35           E. The department, on the request of any person, shall provide the  
36 names and addresses of bingo licensees as defined in section 5-401, verify  
37 whether or not a person has a privilege license and number, a tobacco  
38 product distributor's license and number or a withholding license and  
39 number or disclose the information to be posted on the department's  
40 website or otherwise publicly accessible pursuant to section 42-1124,  
41 subsection F and section 42-3401.

42           F. A department employee, in connection with the official duties  
43 relating to any audit, collection activity or civil or criminal  
44 investigation, may disclose return information to the extent that  
45 disclosure is necessary to obtain information that is not otherwise

1 reasonably available. These official duties include the correct  
2 determination of and liability for tax, the amount to be collected or the  
3 enforcement of other state tax revenue laws.

4 G. Confidential information relating to transaction privilege tax,  
5 use tax, severance tax, jet fuel excise and use tax and any other tax  
6 collected by the department on behalf of any jurisdiction may be disclosed  
7 to any county, city or town tax official if the information relates to a  
8 taxpayer who is or may be taxable by a county, city or town or who may be  
9 subject to audit by the department pursuant to section 42-6002. Any  
10 taxpayer information that is released by the department to the county,  
11 city or town:

12 1. May be used only for internal purposes, including audits and  
13 communication with taxpayers for the purposes of the notice required by  
14 section 9-499.15, subsection C. If there is a legitimate business need  
15 relating to enforcing laws, regulations and ordinances pursuant to section  
16 9-500.39 or 11-269.17, a county, city or town tax official may redisclose  
17 transaction privilege tax information relating to a vacation rental or  
18 short-term rental property owner or online lodging operator from the new  
19 license report and license update report, subject to the following:

20 (a) The information redisclosed is limited to the following:

21 (i) The transaction privilege tax license number.

22 (ii) The type of organization or ownership of the business.

23 (iii) The legal business name and doing business as name, if  
24 different from the legal name.

25 (iv) The business mailing address, tax record physical location  
26 address, telephone number, email address and fax number.

27 (v) The date the business started in this state, the business  
28 description and the North American industry classification system code.

29 (vi) The name, address and telephone number for each owner,  
30 partner, corporate officer, member, managing member or official of the  
31 employing unit.

32 (b) Redisclosure is limited to nonelected officials in other units  
33 within the county, city or town. The information may not be redisclosed  
34 to an elected official or the elected official's staff.

35 (c) All redisclosures of confidential information made pursuant to  
36 this paragraph are subject to paragraph 2 of this subsection.

37 2. May not be disclosed to the public in any manner that does not  
38 comply with confidentiality standards established by the department. The  
39 county, city or town shall agree in writing with the department that any  
40 release of confidential information that violates the confidentiality  
41 standards adopted by the department will result in the immediate  
42 suspension of any rights of the county, city or town to receive taxpayer  
43 information under this subsection.

44 H. The department may disclose statistical information gathered  
45 from confidential information if it does not disclose confidential

1 information attributable to any one taxpayer. The department may disclose  
2 statistical information gathered from confidential information, even if it  
3 discloses confidential information attributable to a taxpayer, to:

4 1. The state treasurer in order to comply with the requirements of  
5 section 42-5029, subsection A, paragraph 3.

6 2. The joint legislative income tax credit review committee, the  
7 joint legislative budget committee staff and the legislative staff in  
8 order to comply with the requirements of section 43-221.

9 I. The department may disclose the aggregate amounts of any tax  
10 credit, tax deduction or tax exemption enacted after January 1, 1994.  
11 Information subject to disclosure under this subsection shall not be  
12 disclosed if a taxpayer demonstrates to the department that such  
13 information would give an unfair advantage to competitors.

14 J. Except as provided in section 42-2002, subsection C,  
15 confidential information, described in section 42-2001, paragraph 1,  
16 subdivision (a), item (ii), may be disclosed to law enforcement agencies  
17 for law enforcement purposes.

18 K. The department may provide transaction privilege tax license  
19 information to property tax officials in a county for the purpose of  
20 identification and verification of the tax status of commercial property.

21 L. The department may provide transaction privilege tax, luxury  
22 tax, use tax, property tax and severance tax information to the  
23 ombudsman-citizens aide pursuant to title 41, chapter 8, article 5.

24 M. Except as provided in section 42-2002, subsection D, a court may  
25 order the department to disclose confidential information pertaining to a  
26 party to an action. An order shall be made only on a showing of good  
27 cause and that the party seeking the information has made demand on the  
28 taxpayer for the information.

29 N. This section does not prohibit the disclosure by the department  
30 of any information or documents submitted to the department by a bingo  
31 licensee. Before disclosing the information, the department shall obtain  
32 the name and address of the person requesting the information.

33 O. If the department is required or allowed to disclose  
34 confidential information, it may charge the person or agency requesting  
35 the information for the reasonable cost of its services.

36 P. Except as provided in section 42-2002, subsection D, the  
37 department of revenue shall release confidential information as requested  
38 by the department of economic security pursuant to section 42-1122 or  
39 46-291. Information disclosed under this subsection is limited to the  
40 same type of information that the United States internal revenue service  
41 is authorized to disclose under section 6103(l)(6) of the internal revenue  
42 code.

43 Q. Except as provided in section 42-2002, subsection D, the  
44 department shall release confidential information as requested by the  
45 courts and clerks of the court pursuant to section 42-1122.

1 R. To comply with the requirements of section 42-5031, the  
2 department may disclose to the state treasurer, to the county stadium  
3 district board of directors and to any city or town tax official that is  
4 part of the county stadium district confidential information attributable  
5 to a taxpayer's business activity conducted in the county stadium  
6 district.

7 S. The department shall release to the attorney general  
8 confidential information as requested by the attorney general for purposes  
9 of determining compliance with or enforcing any of the following:

10 1. Any public health control law relating to tobacco sales as  
11 provided under title 36, chapter 6, article 14.

12 2. Any law relating to reduced cigarette ignition propensity  
13 standards as provided under title 37, chapter 9, article 5.

14 3. Sections 44-7101 and 44-7111, the master settlement agreement  
15 referred to in those sections and all agreements regarding disputes under  
16 the master settlement agreement.

17 T. For proceedings before the department, the office of  
18 administrative hearings, the state board of tax appeals or any state or  
19 federal court involving penalties that were assessed against a return  
20 preparer, an electronic return preparer or a payroll service company  
21 pursuant to section 42-1103.02, 42-1125.01 or 43-419, confidential  
22 information may be disclosed only before the judge or administrative law  
23 judge adjudicating the proceeding, the parties to the proceeding and the  
24 parties' representatives in the proceeding prior to its introduction into  
25 evidence in the proceeding. The confidential information may be  
26 introduced as evidence in the proceeding only if the taxpayer's name, the  
27 names of any dependents listed on the return, all social security numbers,  
28 the taxpayer's address, the taxpayer's signature and any attachments  
29 containing any of the foregoing information are redacted and if either:

30 1. The treatment of an item reflected on such a return is or may be  
31 related to the resolution of an issue in the proceeding.

32 2. Such a return or the return information relates or may relate to  
33 a transactional relationship between a person who is a party to the  
34 proceeding and the taxpayer that directly affects the resolution of an  
35 issue in the proceeding.

36 3. The method of payment of the taxpayer's withholding tax  
37 liability or the method of filing the taxpayer's withholding tax return is  
38 an issue for the period.

39 U. The department and attorney general may share the information  
40 specified in subsection S of this section with any of the following:

41 1. Federal, state or local agencies located in this state for the  
42 purposes of enforcement of the statutes or agreements specified in  
43 subsection S of this section or for the purposes of enforcement of  
44 corresponding laws of other states.

1           2. Indian tribes located in this state for the purposes of  
2 enforcement of the statutes or agreements specified in subsection S of  
3 this section.

4           3. A court, arbitrator, data clearinghouse or similar entity for  
5 the purpose of assessing compliance with or making calculations required  
6 by the master settlement agreement or agreements regarding disputes under  
7 the master settlement agreement, and with counsel for the parties or  
8 expert witnesses in any such proceeding, if the information otherwise  
9 remains confidential.

10          V. The department may provide the name and address of qualifying  
11 hospitals and qualifying health care organizations, as defined in section  
12 42-5001, to a business that is classified and reporting transaction  
13 privilege tax under the utilities classification.

14          W. The department may disclose to an official of any city, town or  
15 county in a current agreement or considering a prospective agreement with  
16 the department as described in section 42-5032.02, subsection G any  
17 information relating to amounts that are subject to distribution and that  
18 are required by section 42-5032.02. Information disclosed by the  
19 department under this subsection:

20           1. May be used only by the city, town or county for internal  
21 purposes.

22           2. May not be disclosed to the public in any manner that does not  
23 comply with confidentiality standards established by the department. The  
24 city, town or county must agree with the department in writing that any  
25 release of confidential information that violates the confidentiality  
26 standards will result in the immediate suspension of any rights of the  
27 city, town or county to receive information under this subsection.

28          X. Notwithstanding any other provision of this section, the  
29 department may not disclose information provided by an online lodging  
30 marketplace, as defined in section 42-5076, without the written consent of  
31 the online lodging marketplace, and the information may be disclosed only  
32 pursuant to subsection A, paragraphs 1 through 6, 8 and 10, subsection B,  
33 paragraphs 1, 2, 7 and 8 and subsections C, D and G of this section. Such  
34 information:

35           1. Is not subject to disclosure pursuant to title 39, relating to  
36 public records.

37           2. May not be disclosed to any agency of this state or of any  
38 county, city, town or other political subdivision of this state.

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

41           42-5029. Remission and distribution of monies; withholding;  
42   definition

43          A. The department shall deposit, pursuant to sections 35-146 and  
44 35-147, all revenues collected under this article and articles 4, 5 and 8  
45 of this chapter pursuant to section 42-1116, separately accounting for:

- 1           1. Payments of estimated tax under section 42-5014, subsection D.
- 2           2. Revenues collected pursuant to section 42-5070.
- 3           3. Revenues collected under this article and article 5 of this
- 4 chapter from and after June 30, 2000 from sources located on Indian
- 5 reservations in this state.
- 6           4. Revenues collected pursuant to section 42-5010, subsection G and
- 7 section 42-5155, subsection D.
- 8           5. Revenues collected pursuant to section 42-5010.01 and section
- 9 42-5155, subsection E.
- 10          6. Revenues collected pursuant to section 42-5061 from a remote
- 11 seller.
- 12          7. REVENUES COLLECTED PURSUANT TO SECTIONS 42-5061 AND 42-5075 FROM
- 13 THE SALE, INSTALLATION, ASSEMBLY, REPAIR OR MAINTENANCE OF COMPUTER DATA
- 14 CENTER EQUIPMENT. FOR THE PURPOSES OF THIS PARAGRAPH, "COMPUTER DATA
- 15 CENTER EQUIPMENT" HAS THE SAME MEANING PRESCRIBED IN SECTION 42-5032.04.
- 16          B. The department shall credit payments of estimated tax to an
- 17 estimated tax clearing account and each month shall transfer all monies in
- 18 the estimated tax clearing account to a fund designated as the transaction
- 19 privilege and severance tax clearing account. The department shall credit
- 20 all other payments to the transaction privilege and severance tax clearing
- 21 account, separately accounting for the monies designated as distribution
- 22 base under sections 42-5010, 42-5164 and 42-5205. Each month the
- 23 department shall report to the state treasurer the amount of monies
- 24 collected pursuant to this article and articles 4, 5 and 8 of this
- 25 chapter.
- 26          C. On notification by the department, the state treasurer shall
- 27 distribute the monies deposited in the transaction privilege and severance
- 28 tax clearing account in the manner prescribed by this section and by
- 29 sections 42-5164 and 42-5205, after deducting warrants drawn against the
- 30 account pursuant to sections 42-1118 and 42-1254.
- 31          D. Of the monies designated as distribution base, the department
- 32 shall:
  - 33           1. Pay twenty-five percent to the various incorporated
  - 34 municipalities in this state in proportion to their population to be used
  - 35 by the municipalities for any municipal purpose, except a municipality
  - 36 shall use monies paid from revenues separately accounted for pursuant to
  - 37 subsection A, paragraph 6 of this section and paid pursuant to this
  - 38 paragraph for public safety before any other municipal purpose.
  - 39           2. Pay 38.08 percent to the counties in this state by averaging the
  - 40 following proportions:
    - 41           (a) The proportion that the population of each county bears to the
    - 42 total state population.
    - 43           (b) The proportion that the distribution base monies collected
    - 44 during the calendar month in each county under this article, section
    - 45 42-5164, subsection B and section 42-5205, subsection B bear to the total

1 distribution base monies collected under this article, section 42-5164,  
2 subsection B and section 42-5205, subsection B throughout ~~the~~ THIS state  
3 for the calendar month.

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

6 (a) Average the following proportions:

7 (i) The proportion that the assessed valuation used to determine  
8 secondary property taxes of each county, after deducting that part of the  
9 assessed valuation that is exempt from taxation at the beginning of the  
10 month for which the amount is to be paid, bears to the total assessed  
11 valuations used to determine secondary property taxes of all the counties  
12 after deducting that portion of the assessed valuations that is exempt  
13 from taxation at the beginning of the month for which the amount is to be  
14 paid. Property of a city or town that is not within or contiguous to the  
15 municipal corporate boundaries and from which water is or may be withdrawn  
16 or diverted and transported for use on other property is considered to be  
17 taxable property in the county for purposes of determining assessed  
18 valuation in the county under this item.

19 (ii) The proportion that the distribution base monies collected  
20 during the calendar month in each county under this article, section  
21 42-5164, subsection B and section 42-5205, subsection B bear to the total  
22 distribution base monies collected under this article, section 42-5164,  
23 subsection B and section 42-5205, subsection B throughout this state for  
24 the calendar month.

25 (b) If the proportion computed under subdivision (a) of this  
26 paragraph for any county is greater than the proportion computed under  
27 paragraph 2 of this subsection, the department shall compute the  
28 difference between the amount distributed to that county under paragraph 2  
29 of this subsection and the amount that would have been distributed under  
30 paragraph 2 of this subsection using the proportion computed under  
31 subdivision (a) of this paragraph and shall pay that difference to the  
32 county from the amount available for distribution under this paragraph.  
33 Any monies remaining after all payments under this subdivision shall be  
34 distributed among the counties according to the proportions computed under  
35 paragraph 2 of this subsection.

36 4. After any distributions required by sections 42-5030,  
37 42-5030.01, 42-5031, 42-5032, 42-5032.01, 42-5032.02, ~~and~~ 42-5032.03 **AND**  
38 **42-5032.04** and after making any transfer to the water quality assurance  
39 revolving fund as required by section 49-282, subsection B, credit the  
40 remainder of the monies designated as distribution base to the state  
41 general fund. From this amount the legislature shall annually appropriate  
42 to:

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

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

3 (c) The firearms safety and ranges fund established by section  
4 17-273, \$50,000 derived from the taxes collected from the retail  
5 classification pursuant to section 42-5061 for the current fiscal year.

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

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

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

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

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

1 tribe" has the same meaning as defined in section 42-5031.01,  
2 subsection D.

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

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

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

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

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

12 (e) In fiscal year 2005-2006 and each fiscal year thereafter,  
13 \$86,280,500.

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

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

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

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

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

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

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

44 (c) Forty per cent shall be allocated for maintenance and operation  
45 purposes.

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

4 G. Notwithstanding subsection D of this section, if a court of  
5 competent jurisdiction finally determines that tax monies distributed  
6 under this section were illegally collected under this article or articles  
7 5 and 8 of this chapter and orders the monies to be refunded to the  
8 taxpayer, the department shall compute the amount of such monies that was  
9 distributed to each city, town and county under this section. Each  
10 city's, town's and county's proportionate share of the costs shall be  
11 based on the amount of the original tax payment each municipality and  
12 county received. Each month the state treasurer shall reduce the amount  
13 otherwise distributable to the city, town and county under this section by  
14 1/36 of the total amount to be recovered from the city, town or county  
15 until the total amount has been recovered, but the monthly reduction for  
16 any city, town or county shall not exceed ten percent of the full monthly  
17 distribution to that entity. The reduction shall begin for the first  
18 calendar month after the final disposition of the case and shall continue  
19 until the total amount, including interest and costs, has been recovered.

20 H. On receiving a certificate of default from the greater Arizona  
21 development authority pursuant to section 41-2257 or 41-2258 and to the  
22 extent not otherwise expressly prohibited by law, the state treasurer  
23 shall withhold from the next succeeding distribution of monies pursuant to  
24 this section due to the defaulting political subdivision the amount  
25 specified in the certificate of default and immediately deposit the amount  
26 withheld in the greater Arizona development authority revolving fund. The  
27 state treasurer shall continue to withhold and deposit the monies until  
28 the greater Arizona development authority certifies to the state treasurer  
29 that the default has been cured. ~~In no event may~~ The state treasurer MAY  
30 NOT withhold any amount that the defaulting political subdivision  
31 certifies to the state treasurer and the authority as being necessary to  
32 make any required deposits then due for the payment of principal and  
33 interest on bonds of the political subdivision that were issued before the  
34 date of the loan repayment agreement or bonds and that have been secured  
35 by a pledge of distributions made pursuant to this section.

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

41 J. Except as otherwise provided by this subsection, on notice from  
42 the department of revenue pursuant to section 42-6010, subsection B, the  
43 state treasurer shall withhold from the distribution of monies pursuant to  
44 this section to the affected city or town the amount of the penalty for  
45 business location municipal tax incentives provided by the city or town to

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

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

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

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



1 (f) MODULAR DATA CENTERS AND PREASSEMBLED COMPONENTS OF ANY ITEM  
2 DESCRIBED IN THIS PARAGRAPH, INCLUDING COMPONENTS USED IN THE  
3 MANUFACTURING OF MODULAR DATA CENTERS.

4 (g) OTHER TANGIBLE PERSONAL PROPERTY THAT IS ESSENTIAL TO THE  
5 OPERATIONS OF A COMPUTER DATA CENTER.

6 3. "QUALIFIED COLOCATION TENANT" MEANS AN ENTITY THAT CONTRACTS  
7 WITH THE OWNER, THE OPERATOR OR ANOTHER QUALIFIED COLOCATION TENANT OF A  
8 COMPUTER DATA CENTER TO USE OR OCCUPY ALL OR PART OF THE COMPUTER DATA  
9 CENTER FOR AT LEAST FIVE HUNDRED KILOWATTS PER MONTH FOR A PERIOD OF TWO  
10 OR MORE YEARS.

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

13 42-5061. Retail classification; definitions

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

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

22 2. Services rendered in addition to selling tangible personal  
23 property at retail.

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

27 4. Sales of tangible personal property by any nonprofit  
28 organization organized and operated exclusively for charitable purposes  
29 and recognized by the United States internal revenue service under section  
30 501(c)(3) of the internal revenue code.

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

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

36 7. The sale of stocks and bonds.

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

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

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

45 11. Prescription eyeglasses or contact lenses.

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

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

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

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

13          (b) The vehicle, trailer or semitrailer has a gross vehicle weight  
14          rating of more than ten thousand pounds, is used or maintained to  
15          transport property in the furtherance of interstate commerce and otherwise  
16          meets the definition of commercial motor vehicle as defined in section  
17          28-5201.

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

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

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

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

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

39          20. Lottery tickets or shares pursuant to title 5, chapter 5.1,  
40          article 2.

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

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

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

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

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

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

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

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

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

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

38 25. Tangible personal property sold to:

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

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

44 (c) A qualifying health care organization as defined in section  
45 42-5001 if the organization is dedicated to providing educational,

1 therapeutic, rehabilitative and family medical education training for  
2 blind and visually impaired children and children with multiple  
3 disabilities from the time of birth to age twenty-one.

4 (d) A qualifying community health center as defined in section  
5 42-5001.

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

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

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

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

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

25 27. Tangible personal property sold to:

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

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

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

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

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

43 28. The sale of a motor vehicle to a nonresident of this state if  
44 the purchaser's state of residence does not allow a corresponding use tax  
45 exemption to the tax imposed by article 1 of this chapter and if the

1 nonresident has secured a special ninety day nonresident registration  
2 permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01.

3 29. Tangible personal property purchased in this state by a  
4 nonprofit charitable organization that has qualified under section  
5 501(c)(3) of the United States internal revenue code and that engages in  
6 and uses such property exclusively in programs for persons with mental or  
7 physical disabilities if the programs are exclusively for training, job  
8 placement, rehabilitation or testing.

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

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

27 32. Sales of tangible personal property by a nonprofit organization  
28 that is exempt from taxation under section 501(c)(3), 501(c)(4),  
29 501(c)(6), 501(c)(7) or 501(c)(8) of the internal revenue code if the  
30 organization sponsors or operates a rodeo featuring primarily farm and  
31 ranch animals and no part of the organization's net earnings inures to the  
32 benefit of any private shareholder or individual.

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

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

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

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

6           35. Sales of natural gas or liquefied petroleum gas used to propel  
7 a motor vehicle.

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

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

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

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

41           (a) "Personal property liquidation transaction" means a sale of  
42 personal property made by a personal property liquidator acting solely on  
43 behalf of the owner of the personal property sold at the dwelling of the  
44 owner or on the death of any owner, on behalf of the surviving spouse, if

1 any, any devisee or heir or the personal representative of the estate of  
2 the deceased, if one has been appointed.

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

5 40. Sales of food, drink and condiment for consumption within the  
6 premises of any prison, jail or other institution under the jurisdiction  
7 of the state department of corrections, the department of public safety,  
8 the department of juvenile corrections or a county sheriff.

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

14 42. Sales of:

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

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

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

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

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

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

43 47. Sales of materials that are purchased by or for publicly funded  
44 libraries, including school district libraries, charter school libraries,

1 community college libraries, state university libraries or federal, state,  
2 county or municipal libraries, for use by the public as follows:

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

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

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

13 49. Sales of alternative fuel vehicles if the vehicle was  
14 manufactured as a diesel fuel vehicle and converted to operate on  
15 alternative fuel and equipment that is installed in a conventional diesel  
16 fuel motor vehicle to convert the vehicle to operate on an alternative  
17 fuel, as defined in section 1-215.

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

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

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

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

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

35 (b) "Curriculum design or enhancement" means planning, implementing  
36 or reporting on courses of study, lessons, assignments or other learning  
37 activities.

38 54. Sales of motor vehicle fuel and use fuel to a qualified  
39 business under section 41-1516 for off-road use in harvesting, processing  
40 or transporting qualifying forest products removed from qualifying  
41 projects as defined in section 41-1516.

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

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

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

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

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

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

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

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

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

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

41           1. Machinery, or equipment, used directly in manufacturing,  
42 processing, fabricating, job printing, refining or metallurgical  
43 operations. The terms "manufacturing", "processing", "fabricating", "job  
44 printing", "refining" and "metallurgical" as used in this paragraph refer  
45 to and include those operations commonly understood within their ordinary

1 meaning. "Metallurgical operations" includes leaching, milling,  
2 precipitating, smelting and refining.

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

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

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

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

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

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

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

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

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

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

1 (a) A person:

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

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

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

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

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

29 (b) Any foreign government.

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

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

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

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

1           12. Buses or other urban mass transit vehicles that are used  
2 directly to transport persons or property for hire or pursuant to a  
3 governmentally adopted and controlled urban mass transportation program  
4 and that are sold to bus companies holding a federal certificate of  
5 convenience and necessity or operated by any city, town or other  
6 governmental entity or by any person contracting with such governmental  
7 entity as part of a governmentally adopted and controlled program to  
8 provide urban mass transportation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

36 19. Machinery or equipment, including related structural components  
37 and containment structures, that is employed in connection with  
38 manufacturing, processing, fabricating, job printing, refining, mining,  
39 natural gas pipelines, metallurgical operations, telecommunications,  
40 producing or transmitting electricity or research and development and that  
41 is used directly to meet or exceed rules or regulations adopted by the  
42 federal energy regulatory commission, the United States environmental  
43 protection agency, the United States nuclear regulatory commission, the  
44 Arizona department of environmental quality or a political subdivision of  
45 this state to prevent, monitor, control or reduce land, water or air

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

4 20. Machinery and equipment that are sold to a person engaged in  
5 commercially producing livestock, livestock products or agricultural,  
6 horticultural, viticultural or floricultural crops or products in this  
7 state, including a person representing or working on behalf of such a  
8 person in a manner described in section 42-5075, subsection P, if the  
9 machinery and equipment are used directly and primarily to prevent,  
10 monitor, control or reduce air, water or land pollution.

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

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

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

23 (c) Any machinery or equipment purchased after the television  
24 station has ceased analog broadcasting, or purchased after November 1,  
25 2009, whichever occurs first.

26 22. Qualifying equipment that is purchased from and after June 30,  
27 2004 through December 31, 2028 by a qualified business under section  
28 41-1516 for harvesting or processing qualifying forest products removed  
29 from qualifying projects as defined in section 41-1516. To qualify for  
30 this deduction, the qualified business at the time of purchase must  
31 present its certification approved by the department.

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

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

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

- 1           2. Janitorial equipment and hand tools.
- 2           3. Office equipment, furniture and supplies.
- 3           4. Tangible personal property used in selling or distributing
- 4 activities, other than the telecommunications transmissions described in
- 5 subsection B, paragraph 16 of this section.
- 6           5. Motor vehicles required to be licensed by this state, except
- 7 buses or other urban mass transit vehicles specifically exempted pursuant
- 8 to subsection B, paragraph 12 of this section, without regard to the use
- 9 of such motor vehicles.
- 10          6. Shops, buildings, docks, depots and all other materials of
- 11 whatever kind or character not specifically included as exempt.
- 12          7. Motors and pumps used in drip irrigation systems.
- 13          8. Machinery and equipment or other tangible personal property used
- 14 by a contractor in performing a contract.
- 15          D. In addition to the deductions from the tax base prescribed by
- 16 subsection A of this section, there shall be deducted from the tax base
- 17 the gross proceeds of sales or gross income derived from sales of
- 18 machinery, equipment, materials and other tangible personal property used
- 19 directly and predominantly to construct a qualified environmental
- 20 technology manufacturing, producing or processing facility as described in
- 21 section 41-1514.02. This subsection applies for ten full consecutive
- 22 calendar or fiscal years after the start of initial construction.
- 23          E. In computing the tax base, gross proceeds of sales or gross
- 24 income from retail sales of heavy trucks and trailers does not include any
- 25 amount attributable to federal excise taxes imposed by 26 United States
- 26 Code section 4051.
- 27          F. If a person is engaged in an occupation or business to which
- 28 subsection A of this section applies, the person's books shall be kept so
- 29 as to show separately the gross proceeds of sales of tangible personal
- 30 property and the gross income from sales of services, and if not so kept
- 31 the tax shall be imposed on the total of the person's gross proceeds of
- 32 sales of tangible personal property and gross income from services.
- 33          G. If a person is engaged in the business of selling tangible
- 34 personal property at both wholesale and retail, the tax under this section
- 35 applies only to the gross proceeds of the sales made other than at
- 36 wholesale if the person's books are kept so as to show separately the
- 37 gross proceeds of sales of each class, and if the books are not so kept,
- 38 the tax under this section applies to the gross proceeds of every sale so
- 39 made.
- 40          H. A person who engages in manufacturing, baling, crating, boxing,
- 41 barreling, canning, bottling, sacking, preserving, processing or otherwise
- 42 preparing for sale or commercial use any livestock, agricultural or
- 43 horticultural product or any other product, article, substance or
- 44 commodity and who sells the product of such business at retail in this

1 state is deemed, as to such sales, to be engaged in business classified  
2 under the retail classification. This subsection does not apply to:

3 1. Agricultural producers who are owners, proprietors or tenants of  
4 agricultural lands, orchards, farms or gardens where agricultural products  
5 are grown, raised or prepared for market and who are marketing their own  
6 agricultural products.

7 2. Businesses classified under the:

8 (a) Transporting classification.

9 (b) Utilities classification.

10 (c) Telecommunications classification.

11 (d) Pipeline classification.

12 (e) Private car line classification.

13 (f) Publication classification.

14 (g) Job printing classification.

15 (h) Prime contracting classification.

16 (i) Restaurant classification.

17 I. The gross proceeds of sales or gross income derived from the  
18 following shall be deducted from the tax base for the retail  
19 classification:

20 1. Sales made directly to the United States government or its  
21 departments or agencies by a manufacturer, modifier, assembler or  
22 repairer.

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

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

33 4. Sales of overhead materials or other tangible personal property  
34 to a manufacturer, modifier, assembler or repairer if the gross proceeds  
35 of sales or gross income derived from the property by the manufacturer,  
36 modifier, assembler or repairer will be exempt under paragraph 3 of this  
37 subsection.

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

42 K. The department shall require every person claiming a deduction  
43 provided by subsection I or J of this section to file on forms prescribed  
44 by the department at such times as the department directs a sworn

1 statement disclosing the name of the purchaser and the exact amount of  
2 sales on which the exclusion or deduction is claimed.

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

5 1. A manufacturer's cash rebate on the sales price of a motor  
6 vehicle if the buyer assigns the buyer's right in the rebate to the  
7 retailer.

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

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

14 N. In computing the tax base in the case of the sale or transfer of  
15 wireless telecommunications equipment as an inducement to a customer to  
16 enter into or continue a contract for telecommunications services that are  
17 taxable under section 42-5064, gross proceeds of sales or gross income  
18 does not include any sales commissions or other compensation received by  
19 the retailer as a result of the customer entering into or continuing a  
20 contract for the telecommunications services.

21 O. For the purposes of this section, a sale of wireless  
22 telecommunications equipment to a person who holds the equipment for sale  
23 or transfer to a customer as an inducement to enter into or continue a  
24 contract for telecommunications services that are taxable under section  
25 42-5064 is considered to be a sale for resale in the regular course of  
26 business.

27 P. Retail sales of prepaid calling cards or prepaid authorization  
28 numbers for telecommunications services, including sales of  
29 reauthorization of a prepaid card or authorization number, are subject to  
30 tax under this section.

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

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

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

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

43 1. The transfer of title or possession of the coal is for the  
44 purpose of refining the coal.

1           2. The title or possession of the coal is transferred back to the  
2 owner or operator of the power plant after completion of the coal refining  
3 process. For the purposes of this paragraph, "coal refining process"  
4 means the application of a coal additive system that aids in the reduction  
5 of power plant emissions during the combustion of coal and the treatment  
6 of flue gas.

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

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

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

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

31           U. For the purposes of section 42-5032.03 and subject to section  
32 48-4238, beginning October 1, 2025 and each month thereafter through  
33 December 31, 2055, the department shall separately account for revenues  
34 collected under the retail classification from each business selling  
35 tangible personal property at retail on the premises of a major league  
36 baseball facility or an adjacent building that is owned by a county  
37 stadium district pursuant to title 48, chapter 26 and operated by the  
38 county stadium district or the professional baseball franchise  
39 organization that occupies the major league baseball facility or adjacent  
40 building. For the purposes of this subsection, "adjacent building" and  
41 "major league baseball facility" have the same meanings prescribed in  
42 section 48-4201.

43           V. In computing the tax base for the sale of a motor vehicle to a  
44 nonresident of this state, if the purchaser's state of residence allows a  
45 corresponding use tax exemption to the tax imposed by article 1 of this

1 chapter and the rate of the tax in the purchaser's state of residence is  
2 lower than the rate prescribed in article 1 of this chapter or if the  
3 purchaser's state of residence does not impose an excise tax, and the  
4 nonresident has secured a special ninety day nonresident registration  
5 permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01,  
6 there shall be deducted from the tax base a portion of the gross proceeds  
7 or gross income from the sale so that the amount of transaction privilege  
8 tax that is paid in this state is equal to the excise tax that is imposed  
9 by the purchaser's state of residence on the nonexempt sale or use of the  
10 motor vehicle.

11 W. For the purposes of this section:

12 1. "Agricultural aircraft" means an aircraft that is built for  
13 agricultural use for the aerial application of pesticides or fertilizer or  
14 for aerial seeding.

15 2. "Aircraft" includes:

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

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

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

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

31 X. For the purposes of subsection I of this section:

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

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

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

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

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

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

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

15 Sec. 8. Section 42-5159, Arizona Revised Statutes, as amended by  
16 Laws 2025, chapter 135, section 2 and chapter 247, section 2, is amended  
17 to read:

18 42-5159. Exemptions

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

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

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

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

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

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

1 fuel, the sales, distribution or use of which in this state is subject to  
2 the tax imposed under article 8 of this chapter.

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

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

14 8. Purchases of:

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

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

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

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

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

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

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

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

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

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

2 13. Tangible personal property purchased by:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

33 15. Tangible personal property sold by:

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

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

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

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

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

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

19 18. Prescription eyeglasses and contact lenses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30           (b) Public educational institutions.

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

34          33. Natural gas or liquefied petroleum gas used to propel a motor  
35 vehicle.

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

41          35. Liquid, solid or gaseous chemicals used in manufacturing,  
42 processing, fabricating, mining, refining, metallurgical operations,  
43 research and development and, beginning on January 1, 1999, printing, if  
44 using or consuming the chemicals, alone or as part of an integrated system  
45 of chemicals, involves direct contact with the materials from which the

1 product is produced for the purpose of causing or allowing a chemical or  
2 physical change to occur in the materials as part of the production  
3 process. This paragraph does not include chemicals that are used or  
4 consumed in activities such as packaging, storage or transportation but  
5 does not affect any exemption for such chemicals that is otherwise  
6 provided by this section. For the purposes of this paragraph, "printing"  
7 means a commercial printing operation and includes job printing,  
8 engraving, embossing, copying and bookbinding.

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

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

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

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

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

35 (b) "Subcontract" means an agreement between a contractor and any  
36 person who is not an employee of the contractor for furnishing of supplies  
37 or services that, in whole or in part, are necessary to perform one or  
38 more government contracts, or under which any portion of the contractor's  
39 obligation under one or more government contracts is performed, undertaken  
40 or assumed, and that includes provisions causing title to overhead  
41 materials or other tangible personal property used in performing the  
42 subcontract to pass to the government or that includes provisions  
43 incorporating such title passing clauses in a government contract into the  
44 subcontract.

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

8           41. Wireless telecommunications equipment that is held for sale or  
9 transfer to a customer as an inducement to enter into or continue a  
10 contract for telecommunications services that are taxable under section  
11 42-5064.

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

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

23           44. Alternative fuel vehicles if the vehicle was manufactured as a  
24 diesel fuel vehicle and converted to operate on alternative fuel and  
25 equipment that is installed in a conventional diesel fuel motor vehicle to  
26 convert the vehicle to operate on an alternative fuel, as defined in  
27 section 1-215.

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

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

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

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

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

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

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

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

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

12           (b) "Curriculum design or enhancement" means planning, implementing  
13 or reporting on courses of study, lessons, assignments or other learning  
14 activities.

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

19           52. Repair parts installed in equipment used directly by a  
20 qualified business under section 41-1516 in harvesting, processing or  
21 transporting qualifying forest products removed from qualifying projects  
22 as defined in section 41-1516.

23           53. Renewable energy credits or any other unit created to track  
24 energy derived from renewable energy resources. For the purposes of this  
25 paragraph, "renewable energy credit" means a unit created administratively  
26 by the corporation commission or governing body of a public power entity  
27 to track kilowatt hours of electricity derived from a renewable energy  
28 resource or the kilowatt hour equivalent of conventional energy resources  
29 displaced by distributed renewable energy resources.

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

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

35           (b) The title or possession of the coal is transferred back to the  
36 owner or operator of the power plant after completion of the coal refining  
37 process. For the purposes of this subdivision, "coal refining process"  
38 means the application of a coal additive system that aids the reduction of  
39 power plant emissions during the combustion of coal and the treatment of  
40 flue gas.

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

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

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

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

13 56. Cash equivalents, precious metal bullion and monetized bullion  
14 purchased by the ultimate consumer, but coins or other forms of money for  
15 manufacture into jewelry or works of art are subject to tax, and tangible  
16 personal property that is purchased through the redemption of any cash  
17 equivalent by the holder as a means of payment for goods that are subject  
18 to tax under this article is subject to tax. For the purposes of this  
19 paragraph:

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

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

29 (ii) Prepaid calling cards for telecommunications services.

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

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

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

40 1. Machinery, or equipment, used directly in manufacturing,  
41 processing, fabricating, job printing, refining or metallurgical  
42 operations. The terms "manufacturing", "processing", "fabricating", "job  
43 printing", "refining" and "metallurgical" as used in this paragraph refer  
44 to and include those operations commonly understood within their ordinary

1 meaning. "Metallurgical operations" includes leaching, milling,  
2 precipitating, smelting and refining.

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

9 3. Tangible personal property sold to persons engaged in business  
10 classified under the telecommunications classification under section  
11 42-5064, including a person representing or working on behalf of such a  
12 person in a manner described in section 42-5075, subsection ~~P~~ P, and  
13 consisting of central office switching equipment, switchboards, private  
14 branch exchange equipment, microwave radio equipment and carrier equipment  
15 including optical fiber, coaxial cable and other transmission media that  
16 are components of carrier systems.

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

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

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

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

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

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

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

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

1 (a) A person:

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

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

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

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

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

29 (b) Any foreign government.

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

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

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

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

1           12. Buses or other urban mass transit vehicles that are used  
2 directly to transport persons or property for hire or pursuant to a  
3 governmentally adopted and controlled urban mass transportation program  
4 and that are sold to bus companies holding a federal certificate of  
5 convenience and necessity or operated by any city, town or other  
6 governmental entity or by any person contracting with such governmental  
7 entity as part of a governmentally adopted and controlled program to  
8 provide urban mass transportation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

36 19. Machinery or equipment, including related structural components  
37 and containment structures, that is employed in connection with  
38 manufacturing, processing, fabricating, job printing, refining, mining,  
39 natural gas pipelines, metallurgical operations, telecommunications,  
40 producing or transmitting electricity or research and development and that  
41 is used directly to meet or exceed rules or regulations adopted by the  
42 federal energy regulatory commission, the United States environmental  
43 protection agency, the United States nuclear regulatory commission, the  
44 Arizona department of environmental quality or a political subdivision of  
45 this state to prevent, monitor, control or reduce land, water or air

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

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

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

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

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

23 (c) Any machinery or equipment purchased after the television  
24 station has ceased analog broadcasting, or purchased after November 1,  
25 2009, whichever occurs first.

26 22. Qualifying equipment that is purchased from and after June 30,  
27 2004 through December 31, 2028 by a qualified business under section  
28 41-1516 for harvesting or processing qualifying forest products removed  
29 from qualifying projects as defined in section 41-1516. To qualify for  
30 this exemption, the qualified business must obtain and present its  
31 certification from the Arizona commerce authority at the time of purchase.

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

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

1 C. The exemptions provided by subsection B of this section do not  
2 include:

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

7 2. Janitorial equipment and hand tools.

8 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

23 1. Revenues received from sales of ancillary services, electric  
24 distribution services, electric generation services, electric transmission  
25 services and other services related to providing electricity to a retail  
26 electric customer who is located outside this state for use outside this  
27 state if the electricity is delivered to a point of sale outside this  
28 state.

29 2. Revenues received from providing electricity, including  
30 ancillary services, electric distribution services, electric generation  
31 services, electric transmission services and other services related to  
32 providing electricity with respect to which the transaction privilege tax  
33 imposed under section 42-5063 has been paid.

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

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

39 1. Fees charged by a municipally owned utility to persons  
40 constructing residential, commercial or industrial developments or  
41 connecting residential, commercial or industrial developments to a  
42 municipal utility system or systems if the fees are segregated and used  
43 only for capital expansion, system enlargement or debt service of the  
44 utility system or systems.

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

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

8           1. A qualified manufacturing or smelting business. A utility that  
9 claims this deduction shall report each month, on a form prescribed by the  
10 department, the name and address of each qualified manufacturing or  
11 smelting business for which this deduction is taken. This paragraph  
12 applies to gas transportation services. For the purposes of this  
13 paragraph:

14           (a) "Gas transportation services" means the services of  
15 transporting natural gas to a natural gas customer or to a natural gas  
16 distribution facility if the natural gas was purchased from a supplier  
17 other than the utility.

18           (b) "Manufacturing" means the performance as a business of an  
19 integrated series of operations that places tangible personal property in  
20 a form, composition or character different from that in which it was  
21 acquired and transforms it into a different product with a distinctive  
22 name, character or use. Manufacturing does not include job printing,  
23 publishing, packaging, mining, generating electricity or operating a  
24 restaurant.

25           (c) "Qualified manufacturing or smelting business" means one of the  
26 following:

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

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

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

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

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

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

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

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

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

12           1. "Agricultural aircraft" means an aircraft that is built for  
13 agricultural use for the aerial application of pesticides or fertilizer or  
14 for aerial seeding.

15           2. "Aircraft" includes:

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

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

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

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

29           Sec. 9. Repeal

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

32           Sec. 10. Section 42-6004, Arizona Revised Statutes, is amended to  
33 read:

34           42-6004. Exemption from municipal tax; definitions

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

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

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

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

8 3. Sales of warranty or service contracts.

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

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

13 (b) The vehicle, trailer or semitrailer has a gross vehicle weight  
14 rating of more than ten thousand pounds, is used or maintained to  
15 transport property in the furtherance of interstate commerce and otherwise  
16 meets the definition of commercial motor vehicle as defined in section  
17 28-5201.

18 5. Interest on finance contracts.

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

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

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

25 (a) "Internet" means the computer and telecommunications facilities  
26 that comprise the interconnected worldwide network of networks that employ  
27 the transmission control protocol or internet protocol, or any predecessor  
28 or successor protocol, to communicate information of all kinds by wire or  
29 radio.

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

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

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

39 (a) "Affiliated companies, businesses, persons or reciprocal  
40 insurers" means the lessor holds a controlling interest in the lessee, the  
41 lessee holds a controlling interest in the lessor, affiliated persons hold  
42 a controlling interest in both the lessor and the lessee, or an unrelated  
43 person holds a controlling interest in both the lessor and lessee.

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

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

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

7 (e) "Reciprocal insurer" has the same meaning prescribed in section  
8 20-762.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17 ~~14.~~ 13. The gross proceeds of sales or gross income derived from a  
18 contract with the owner of real property or improvements to real property  
19 for the maintenance, repair, replacement or alteration of existing  
20 property, except as specified in this paragraph. The gross proceeds of  
21 sales or gross income derived from a de minimis amount of modification  
22 activity does not subject the contract or any part of the contract to tax.  
23 For the purposes of this paragraph:

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

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

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

43 (i) Community facilities districts, fire districts, county  
44 television improvement districts, community park maintenance districts,  
45 cotton pest control districts, hospital districts, pest abatement

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

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

9 ~~15.~~ 14. Monitoring services relating to an alarm system as defined  
10 in section 32-101.

11 ~~16.~~ 15. Tangible personal property, job printing or publications  
12 sold to or purchased by, or tangible personal property leased, rented or  
13 licensed for use to or by, a qualifying health sciences educational  
14 institution as defined in section 42-5001.

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

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

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

26 ~~18.~~ 17. Tangible personal property incorporated or fabricated into  
27 a project described in paragraph ~~14~~ 13 of this subsection, that is located  
28 within the exterior boundaries of an Indian reservation for which the  
29 owner, as defined in section 42-5075, of the project is an Indian tribe or  
30 an affiliated Indian. For the purposes of this paragraph:

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

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

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

43 ~~19.~~ 18. The charges for the leasing or renting of space to make  
44 attachments to utility poles as follows:

1 (a) By a person that is engaged in the business of providing or  
2 furnishing electrical services or telecommunication services or that is a  
3 cable operator.

4 (b) To a person that is engaged in the business of providing or  
5 furnishing electrical services or telecommunication services or that is a  
6 cable operator.

7 ~~20.~~ 19. Until March 1, 2017, the gross proceeds of sales or gross  
8 income derived from entry fees paid by participants for events that  
9 consist of a run, walk, swim or bicycle ride or a similar event, or any  
10 combination of these events.

11 ~~21.~~ 20. The gross proceeds of sales or gross income derived from  
12 entry fees paid by participants for events that are operated or conducted  
13 by nonprofit organizations that are exempt from taxation under section  
14 501(c)(3) of the internal revenue code and of which no part of the  
15 organization's net earnings inures to the benefit of any private  
16 shareholder or individual, if the event consists of a run, walk, swim or  
17 bicycle ride or a similar event, or any combination of these events.

18 ~~22.~~ 21. The gross proceeds of sales or gross income derived from  
19 sales of machinery and equipment used directly for energy storage for  
20 later electrical use. For the purposes of this paragraph:

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

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

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

32 ~~23.~~ 22. The gross proceeds of sales or gross income derived from a  
33 contract to install containment structures. For the purposes of this  
34 paragraph, "containment structure" means a structure that prevents,  
35 monitors, controls or reduces noxious or harmful discharge into the  
36 environment.

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

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

- 1           1. A motor carrier's use on the public highways in this state if  
2 the motor carrier is subject to a fee prescribed in title 28, chapter 16,  
3 article 4.
- 4           2. Leasing, renting or licensing a motor vehicle subject to and on  
5 which the fee has been paid under title 28, chapter 16, article 4.
- 6           3. The sale of a motor vehicle and any repair and replacement parts  
7 and tangible personal property becoming a part of such motor vehicle to a  
8 motor carrier who is subject to a fee prescribed in title 28, chapter 16,  
9 article 4 and who is engaged in the business of leasing, renting or  
10 licensing such property.
- 11           4. Incarcerating or detaining in a privately operated prison, jail  
12 or detention facility prisoners who are under the jurisdiction of the  
13 United States, this state or any other state or a political subdivision of  
14 this state or of any other state.
- 15           5. Transporting for hire persons, freight or property by light  
16 motor vehicles subject to a fee under title 28, chapter 15, article 4.
- 17           6. Any amount attributable to development fees that are incurred in  
18 relation to the construction, development or improvement of real property  
19 and paid by the taxpayer as defined in the model city tax code or by a  
20 contractor providing services to the taxpayer. For the purposes of this  
21 paragraph:
  - 22           (a) The attributable amount shall not exceed the value of the  
23 development fees actually imposed.
  - 24           (b) The attributable amount is equal to the total amount of  
25 development fees paid by the taxpayer or by a contractor providing  
26 services to the taxpayer and the total development fees credited in  
27 exchange for the construction of, contribution to or dedication of real  
28 property for providing public infrastructure, public safety or other  
29 public services necessary to the development. The real property must be  
30 the subject of the development fees.
  - 31           (c) "Development fees" means fees imposed to offset capital costs  
32 of providing public infrastructure, public safety or other public services  
33 to a development and authorized pursuant to section 9-463.05, section  
34 11-1102 or title 48 regardless of the jurisdiction to which the fees are  
35 paid.
- 36           7. Any amount attributable to fees collected by transportation  
37 network companies issued a permit pursuant to section 28-9552.
- 38           8. Transporting for hire persons by transportation network company  
39 drivers on transactions involving transportation network services as  
40 defined in section 28-9551.
- 41           9. Transporting for hire persons by vehicle for hire companies that  
42 are issued permits pursuant to section 28-9503.
- 43           10. Transporting for hire persons by vehicle for hire drivers on  
44 transactions involving vehicle for hire services as defined in section  
45 28-9501.

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

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

11 1. A manufacturer's cash rebate on the sales price of a motor  
12 vehicle if the buyer assigns the buyer's right in the rebate to the  
13 retailer.

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

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

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

30 H. From and after December 31, 2024, a city, town or other taxing  
31 jurisdiction may not levy a transaction privilege, sales, gross receipts,  
32 use, franchise or other similar tax or fee, however denominated, on the  
33 business of renting or leasing real property for residential purposes.  
34 This subsection:

35 1. Does not apply to health care facilities, long-term care  
36 facilities or hotel, motel or other transient lodging businesses.

37 2. Applies regardless of whether the city or town has adopted the  
38 model city tax code pursuant to article 2 of this chapter.

39 I. For the purposes of this section:

40 1. "Cable operator" has the same meaning prescribed in section  
41 9-505 and includes a video service provider.

42 2. "Electrical services" means transmitting or distributing  
43 electricity, electric lights, current or power over lines, wires or  
44 cables.

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

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

8           Sec. 11. Applicability

9           This act applies to taxable periods beginning from and after  
10 December 31, 2026.

11          Sec. 12. Short title

12          This act may be cited as the "Arizona Solar for All Act".

13          Sec. 13. Requirements for enactment; two-thirds vote

14          Pursuant to article IX, section 22, Constitution of Arizona, this  
15 act is effective only on the affirmative vote of at least two-thirds of  
16 the members of each house of the legislature and is effective immediately  
17 on the signature of the governor or, if the governor vetoes this act, on  
18 the subsequent affirmative vote of at least three-fourths of the members  
19 of each house of the legislature.