

REFERENCE TITLE: TPT; exemption; textbook rental

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

# HB 2786

Introduced by  
Representative Olson

AN ACT

AMENDING SECTION 42-5071, ARIZONA REVISED STATUTES; RELATING TO  
TRANSACTION PRIVILEGE TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 42-5071, Arizona Revised Statutes, is amended to  
3 read:

4 42-5071. Personal property rental classification; definitions

5 A. The personal property rental classification is comprised of the  
6 business of leasing or renting tangible personal property for a  
7 consideration and includes peer-to-peer car sharing. The tax does not  
8 apply to:

9 1. Leasing or renting films, tapes or slides used by theaters or  
10 movies, which are engaged in business under the amusement classification,  
11 or used by television stations or radio stations.

12 2. Activities engaged in by the Arizona exposition and state fair  
13 board or county fair commissions in connection with events sponsored by  
14 such entities.

15 3. Leasing or renting tangible personal property by a parent  
16 business entity to a subsidiary business entity or by a subsidiary  
17 business entity to another subsidiary of the same parent business entity  
18 if taxes were paid under this chapter on the gross proceeds or gross  
19 income accruing from the initial sale of the tangible personal property.  
20 For the purposes of this paragraph, "subsidiary" means a business entity  
21 of which at least eighty percent of the voting shares are owned by the  
22 parent business entity.

23 4. Operating coin-operated washing, drying and dry cleaning  
24 machines or coin-operated car washing machines at establishments for the  
25 use of such machines.

26 5. Leasing or renting tangible personal property for incorporation  
27 into or comprising any part of a qualified environmental technology  
28 facility as described in section 41-1514.02. This paragraph shall apply  
29 for ten full consecutive calendar or fiscal years following the initial  
30 lease or rental by each qualified environmental technology manufacturer,  
31 producer or processor.

32 6. Leasing or renting aircraft, flight simulators or similar  
33 training equipment to students or staff by nonprofit, accredited  
34 educational institutions that offer associate or baccalaureate degrees in  
35 aviation or aerospace related fields.

36 7. Leasing or renting photographs, transparencies or other creative  
37 works used by this state on internet websites, in magazines or in other  
38 publications that encourage tourism.

39 8. Leasing or renting certified ignition interlock devices  
40 installed pursuant to the requirements prescribed by section 28-1461. For  
41 the purposes of this paragraph, "certified ignition interlock device" has  
42 the same meaning prescribed in section 28-1301.

1           9. The leasing or renting of space to make attachments to utility  
2 poles, as follows:

3           (a) By a person that is engaged in business under section 42-5063  
4 or 42-5064 or that is a cable operator.

5           (b) To a person that is engaged in business under section 42-5063  
6 or 42-5064 or that is a cable operator.

7           10. Leasing or renting billboards that are designed, intended or  
8 used to advertise or inform and that are visible from any street, road or  
9 other highway.

10          B. The tax base for the personal property rental classification is  
11 the gross proceeds of sales or gross income derived from the business, but  
12 the gross proceeds of sales or gross income derived from the following  
13 shall be deducted from the tax base:

14           1. Reimbursements by the lessee to the lessor of a motor vehicle  
15 for payments by the lessor of the applicable fees and taxes imposed by  
16 sections 28-2003, 28-2352, 28-2402, 28-2481 and 28-5801, title 28, chapter  
17 15, article 2 and article IX, section 11, Constitution of Arizona, to the  
18 extent such amounts are separately identified as such fees and taxes and  
19 are billed to the lessee.

20           2. Leases or rentals of tangible personal property that, if it had  
21 been purchased instead of leased or rented by the lessee, would have been  
22 exempt under:

23           (a) Section 42-5061, subsection A, paragraph 8, 9, 12, 13, 17, 25,  
24 29, 49 or 53.

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

26           (c) Section 42-5061, subsection I, paragraph 1.

27           (d) Section 42-5061, subsection M.

28           3. Motor vehicle fuel and use fuel that are subject to a tax  
29 imposed under title 28, chapter 16, article 1, sales of use fuel to a  
30 holder of a valid single trip use fuel tax permit issued under section  
31 28-5739 and sales of aviation fuel that are subject to the tax imposed  
32 under section 28-8344.

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

35           5. Amounts received by a motor vehicle dealer for the first month  
36 of a lease payment if the lease and the lease payment for the first month  
37 of the lease are transferred to a third-party leasing company.

38          C. Sales of tangible personal property to be leased or rented to a  
39 person engaged in a business classified under the personal property rental  
40 classification are deemed to be resale sales.

41          D. In computing the tax base, the gross proceeds of sales or gross  
42 income from the lease or rental of a motor vehicle does not include any  
43 amount attributable to the car rental surcharge under section 5-839,  
44 28-5810 or 48-4234.

1 E. Until December 31, 1988, leasing or renting animals for  
2 recreational purposes is exempt from the tax imposed by this section.  
3 Beginning January 1, 1989, the gross proceeds or gross income from leasing  
4 or renting animals for recreational purposes is subject to taxation under  
5 this section. Tax liabilities, penalties and interest paid for taxable  
6 periods before January 1, 1989 shall not be refunded unless the taxpayer  
7 requesting the refund provides proof satisfactory to the department that  
8 the monies paid as taxes will be returned to the customer.

9 F. The tax base of the personal property rental classification does  
10 not include the gross proceeds or gross income received by a shared  
11 vehicle owner from a peer-to-peer car sharing program pursuant to section  
12 42-5009, subsection R.

13 G. For the purposes of this section:

14 1. "Cable operator" has the same meaning prescribed in section  
15 9-505 and includes a video service provider.

16 2. "Peer-to-peer car sharing" has the same meaning prescribed in  
17 section 28-9601.

18 3. "Peer-to-peer car sharing program" has the same meaning  
19 prescribed in section 28-9601.

20 4. "Shared vehicle owner" has the same meaning prescribed in  
21 section 28-9601.

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

25 Sec. 2. Applicability

26 This act applies to taxable periods beginning on or after the first  
27 day of the month following the general effective date.