

State of Arizona
House of Representatives
Fifty-fourth Legislature
First Regular Session
2019

HOUSE BILL 2617

AN ACT

AMENDING SECTIONS 9-499.14, 11-254.07 AND 42-5009, ARIZONA REVISED STATUTES; AMENDING SECTION 42-5061, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2018, CHAPTER 104, SECTION 15 AND CHAPTER 249, SECTION 1; AMENDING SECTION 42-5061, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2018, CHAPTER 104, SECTION 15, CHAPTER 249, SECTION 1 AND CHAPTER 263, SECTION 1; AMENDING SECTIONS 42-5064, 42-5071, 42-5075 AND 42-5159, ARIZONA REVISED STATUTES; AMENDING SECTION 42-6004, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2018, CHAPTER 17, SECTION 1, CHAPTER 249, SECTION 6 AND CHAPTER 341, SECTION 2; AMENDING SECTION 42-6004, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2018, CHAPTER 17, SECTION 1, CHAPTER 249, SECTION 6, CHAPTER 263, SECTION 3 AND CHAPTER 341, SECTION 2; AMENDING SECTIONS 42-14151 AND 42-14155, ARIZONA REVISED STATUTES; RELATING TO RENEWABLE ENERGY EQUIPMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 9-499.14, Arizona Revised Statutes, is amended
3 to read:

4 9-499.14. Renewable energy incentive districts: definition

5 A. The governing body of a city or town may designate a renewable
6 energy incentive district in an area in the city or town if all of the
7 following apply:

8 1. The proposed district consists of A vacant or underused parcel
9 or parcels of property, or ANY other parcel or parcels of property the
10 governing body deems suitable for renewable energy AND STORAGE equipment,
11 that are appropriate sizes for the construction and operation of renewable
12 energy AND STORAGE equipment. The governing body may designate portions
13 of land or noncontiguous portions of land as a renewable energy INCENTIVE
14 district or districts.

15 2. The proposed district is located within an area of the city or
16 town so that the construction and operation of renewable energy AND
17 STORAGE equipment would not be incompatible with other uses of property in
18 the area considering factors relating to the construction and operation of
19 renewable energy AND STORAGE equipment including:

20 (a) The ability to adequately buffer the district from surrounding
21 incompatible uses.

22 (b) The noise level emanating from the district alone and in
23 relation to ambient noise levels at the perimeter of the property falling
24 within the proposed district and relative to other adjacent lands.

25 (c) The extent to which the district would be located in proximity
26 to existing transportation and electrical transmission corridors.

27 (d) Compatibility with commercial and military air space
28 requirements.

29 3. The governing body has evaluated the extent to which the
30 proposed district is consistent with the existing general plan and has
31 determined that the proposed district does not conflict with the plan.
32 The governing body may determine that the district is not a major
33 amendment to the general plan pursuant to section 9-461.06.

34 B. If the governing body establishes a renewable energy incentive
35 district, it shall adopt a renewable energy incentive plan to encourage
36 the construction and operation of renewable energy AND STORAGE equipment
37 in the district. The plan may include:

38 1. Expedited zoning or rezoning procedures.

39 2. Expedited processing of plans, proposals and permits.

40 3. Waivers or abatement of zoning fees, processing fees, and
41 improvement district fees and assessments for development activities.

42 4. Waiver or abatement of development standards and procedural
43 requirements.

44 C. For the purposes of this section, "renewable energy AND STORAGE
45 equipment" has the same meaning as prescribed in section 42-14155.

1 Sec. 2. Section 11-254.07, Arizona Revised Statutes, is amended to
2 read:

3 11-254.07. Renewable energy incentive districts; definition

4 A. The board of supervisors may designate a renewable energy
5 incentive district in any unincorporated area of the county if all of the
6 following apply:

7 1. The proposed district consists of a vacant or underused parcel
8 or parcels of property, or any other parcel or parcels of property the
9 board of supervisors deems suitable for renewable energy AND STORAGE
10 equipment, that are appropriate sizes for the construction and operation
11 of renewable energy AND STORAGE equipment. The board of supervisors may
12 designate large portions of unincorporated county land or noncontiguous
13 portions of land as a renewable energy incentive district or districts.

14 2. The proposed district is located within an area of the county so
15 that the construction and operation of renewable energy AND STORAGE
16 equipment would not be incompatible with other uses of property in the
17 area considering factors relating to the construction and operation of
18 renewable energy AND STORAGE equipment including:

19 (a) The ability to adequately buffer the district from surrounding
20 incompatible uses.

21 (b) The noise level emanating from the district alone and in
22 relation to ambient noise levels at the perimeter of the property falling
23 within the proposed district and relative to other adjacent lands.

24 (c) The extent to which the district would be located in proximity
25 to existing transportation and electrical transmission corridors.

26 (d) Compatibility with commercial and military air space
27 requirements.

28 3. The board of supervisors has evaluated the extent to which the
29 proposed district is consistent with the existing county comprehensive
30 plan and has determined that the proposed district does not conflict with
31 the plan. The board of supervisors may determine that the district is not
32 a major amendment to the county comprehensive plan pursuant to section
33 11-805.

34 B. Before establishing a renewable energy incentive district, the
35 board of supervisors shall:

36 1. Identify the boundaries of the proposed district.

37 2. Notify the owners of private property in the proposed district,
38 property managers of federal and state land in the proposed district and
39 adjacent property owners by first class mail sent to the addresses on the
40 most recent tax roll. The notice shall be mailed at least fifteen days
41 before the hearing held to adopt the energy incentive plan.

42 C. If the board of supervisors establishes a renewable energy
43 incentive district, it shall adopt a renewable energy incentive plan to
44 encourage the construction and operation of renewable energy AND STORAGE
45 equipment in the district. The plan may include:

1 1. Expedited zoning or rezoning procedures.
2 2. Expedited processing of plans, proposals and permits.
3 3. Waivers or abatement of county zoning fees, processing fees, and
4 county improvement district fees and assessments for development
5 activities.
6 4. Waiver or abatement of development standards and procedural
7 requirements.
8 D. For the purposes of this section, "renewable energy AND STORAGE
9 equipment" has the same meaning prescribed in section 42-14155.
10 Sec. 3. Section 42-5009, Arizona Revised Statutes, is amended to
11 read:
12 42-5009. Certificates establishing deductions; liability for
13 making false certificate
14 A. A person who conducts any business classified under article 2 of
15 this chapter may establish entitlement to the allowable deductions from
16 the tax base of that business by both:
17 1. Marking the invoice for the transaction to indicate that the
18 gross proceeds of sales or gross income derived from the transaction was
19 deducted from the tax base.
20 2. Obtaining a certificate executed by the purchaser indicating the
21 name and address of the purchaser, the precise nature of the business of
22 the purchaser, the purpose for which the purchase was made, the necessary
23 facts to establish the appropriate deduction and the tax license number of
24 the purchaser to the extent the deduction depends on the purchaser
25 conducting business classified under article 2 of this chapter and a
26 certification that the person executing the certificate is authorized to
27 do so on behalf of the purchaser. The certificate may be disregarded if
28 the seller has reason to believe that the information contained in the
29 certificate is not accurate or complete.
30 B. A person who does not comply with subsection A of this section
31 may establish entitlement to the deduction by presenting facts necessary
32 to support the entitlement, but the burden of proof is on that person.
33 C. The department may prescribe a form for the certificate
34 described in subsection A of this section. Under such rules as it may
35 prescribe, the department may also describe transactions with respect to
36 which a person is not entitled to rely solely on the information contained
37 in the certificate provided for in subsection A of this section but must
38 instead obtain such additional information as required by the rules in
39 order to be entitled to the deduction.
40 D. If a seller is entitled to a deduction by complying with
41 subsection A of this section, the department may require the purchaser
42 that caused the execution of the certificate to establish the accuracy and
43 completeness of the information required to be contained in the
44 certificate that would entitle the seller to the deduction. If the
45 purchaser cannot establish the accuracy and completeness of the

1 information, the purchaser is liable in an amount equal to any tax,
2 penalty and interest that the seller would have been required to pay under
3 this article if the seller had not complied with subsection A of this
4 section. Payment of the amount under this subsection exempts the
5 purchaser from liability for any tax imposed under article 4 of this
6 chapter. The amount shall be treated as tax revenues collected from the
7 seller in order to designate the distribution base for purposes of section
8 42-5029.

9 E. If a seller is entitled to a deduction by complying with
10 subsection B of this section, the department may require the purchaser to
11 establish the accuracy and completeness of the information provided to the
12 seller that entitled the seller to the deduction. If the purchaser cannot
13 establish the accuracy and completeness of the information, the purchaser
14 is liable in an amount equal to any tax, penalty and interest that the
15 seller would have been required to pay under this article if the seller
16 had not complied with subsection 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. The amount shall be treated as
19 tax revenues collected from the seller in order to designate the
20 distribution base for purposes of section 42-5029.

21 F. The department may prescribe a form for a certificate used to
22 establish entitlement to the deductions described in section 42-5061,
23 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3.
24 Under rules the department may prescribe, the department may also require
25 additional information for the seller to be entitled to the deduction. If
26 a seller is entitled to the deductions described in section 42-5061,
27 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3,
28 the department may require the purchaser who executed the certificate to
29 establish the accuracy and completeness of the information contained in
30 the certificate that would entitle the seller to the deduction. If the
31 purchaser cannot establish the accuracy and completeness of the
32 information, the purchaser is liable in an amount equal to any tax,
33 penalty and interest that the seller would have been required to pay under
34 this article. Payment of the amount under this subsection exempts the
35 purchaser from liability for any tax imposed under article 4 of this
36 chapter. The amount shall be treated as tax revenues collected from the
37 seller in order to designate the distribution base for purposes of section
38 42-5029.

39 G. If a seller claims a deduction under section 42-5061,
40 subsection A, paragraph 25 and establishes entitlement to the deduction
41 with an exemption letter that the purchaser received from the department
42 and the exemption letter was based on a contingent event, the department
43 may require the purchaser that received the exemption letter to establish
44 the satisfaction of the contingent event within a reasonable time. If the
45 purchaser cannot establish the satisfaction of the event, the purchaser is

1 liable in an amount equal to any tax, penalty and interest that the seller
2 would have been required to pay under this article if the seller had not
3 been furnished the exemption letter. Payment of the amount under this
4 subsection exempts the purchaser from liability for any tax imposed under
5 article 4 of this chapter. The amount shall be treated as tax revenues
6 collected from the seller in order to designate the distribution base for
7 purposes of section 42-5029. For the purposes of this subsection,
8 "reasonable time" means a time limitation that the department determines
9 and that does not exceed the time limitations pursuant to section 42-1104.

10 H. The department shall prescribe forms for certificates used to
11 establish the satisfaction of the criteria necessary to qualify the sale
12 of a motor vehicle for the deductions described in section 42-5061,
13 subsection A, paragraph 14, paragraph 28, subdivision (a) and paragraph 44
14 and subsection U. Except as provided in subsection J of this section, to
15 establish entitlement to these deductions, a motor vehicle dealer shall
16 retain:

17 1. A valid certificate as prescribed by this subsection completed
18 by the purchaser and obtained prior to the issuance of the nonresident
19 registration permit authorized by section 28-2154.

20 2. A copy of the nonresident registration permit authorized by
21 section 28-2154.

22 3. A legible copy of a current valid driver license issued to the
23 purchaser by another state or foreign country that indicates an address
24 outside of this state. For the sale of a motor vehicle to a nonresident
25 entity, the entity's representative must have a current valid driver
26 license issued by the same jurisdiction as that in which the entity is
27 located.

28 4. For the purposes of the deduction provided by section 42-5061,
29 subsection A, paragraph 14, a certificate documenting the delivery of the
30 motor vehicle to an out-of-state location.

31 I. Notwithstanding subsection A, paragraph 2 of this section, if a
32 motor vehicle dealer has established entitlement to a deduction by
33 complying with subsection H of this section, the department may require
34 the purchaser who executed the certificate to establish the accuracy and
35 completeness of the information contained in the certificate that entitled
36 the motor vehicle dealer to the deduction. If the purchaser cannot
37 establish the accuracy and completeness of the information, the purchaser
38 is liable in an amount equal to any tax, penalty and interest that the
39 motor vehicle dealer would have been required to pay under this article
40 and under articles IV and V of the model city tax code as defined in
41 section 42-6051. Payment of the amount under this subsection exempts the
42 purchaser from liability for any tax imposed under article 4 of this
43 chapter and any tax imposed under article VI of the model city tax code as
44 defined in section 42-6051. The amount shall be treated as tax revenues

1 collected from the motor vehicle dealer in order to designate the
2 distribution base for purposes of section 42-5029.

3 J. To establish entitlement to the deduction described in section
4 42-5061, subsection A, paragraph 44, a public consignment auction dealer
5 as defined in section 28-4301 shall submit the valid certificate
6 prescribed by subsection H of this section to the department and retain a
7 copy for its records.

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

11 L. The department shall prescribe a form for a certificate to be
12 used by a person that is not subject to tax under section 42-5075 when the
13 person is engaged by a contractor that is subject to tax under section
14 42-5075 for a project that is taxable under section 42-5075. The
15 certificate permits the person purchasing tangible personal property to be
16 incorporated or fabricated by the person into any real property,
17 structure, project, development or improvement to provide documentation to
18 a retailer that the sale of tangible personal property qualifies for the
19 deduction under section 42-5061, subsection A, paragraph 27,
20 subdivision (b). A prime contractor shall obtain the certificate from the
21 department and shall provide a copy to any such person working on the
22 project. The prime contractor shall obtain a new certificate for each
23 project to which this subsection applies. For the purposes of this
24 subsection, the following apply:

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

29 2. The department shall issue the certificate to the prime
30 contractor on receiving sufficient documentation to establish that the
31 prime contractor meets the requirements of this subsection.

32 3. If any person uses the certificate provided under this
33 subsection to purchase tangible personal property to be used in a project
34 that is not subject to tax under section 42-5075, the person is liable in
35 an amount equal to any tax, penalty and interest that the seller would
36 have been required to pay under this article if the seller had not
37 complied with subsection A of this section. Payment of the amount under
38 this section exempts the person from liability for any tax imposed under
39 article 4 of this chapter. The amount shall be sourced under section
40 42-5040, subsection A, paragraph 2.

41 M. Notwithstanding any other law, compliance with subsection L of
42 this section by a person that is not subject to tax under section 42-5075
43 entitles the person to the exemption allowed by section 465,
44 subsection (k) of the model city tax code when purchasing tangible

1 personal property to be incorporated or fabricated by the person into any
2 real property, structure, project, development or improvement.

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

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

8 2. Persons who are engaged in the business of producing livestock
9 or poultry commercially.

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

12 O. A vendor who has reason to believe that a certificate prescribed
13 by this section is not accurate or complete will not be relieved of the
14 burden of proving entitlement to the exemption. A vendor that accepts a
15 certificate in good faith will be relieved of the burden of proof and the
16 purchaser may be required to establish the accuracy of the claimed
17 exemption. If the purchaser cannot establish the accuracy and
18 completeness of the information provided in the certificate, the purchaser
19 is liable for an amount equal to the transaction privilege tax, penalty
20 and interest that the vendor would have been required to pay if the vendor
21 had not accepted the certificate.

22 P. Notwithstanding any other law, an online lodging operator, as
23 defined in section 42-5076, shall be entitled to an exclusion from any
24 applicable taxes for any online lodging transaction, as defined in section
25 42-5076, facilitated by an online lodging marketplace, as defined in
26 section 42-5076, for which the online lodging operator has obtained from
27 the online lodging marketplace written notice that the online lodging
28 marketplace is registered with the department to collect applicable taxes
29 for all online lodging transactions facilitated by the online lodging
30 marketplace, and transaction history documenting tax collected by the
31 online lodging marketplace, pursuant to section 42-5005, subsection L.

32 Q. The department shall prescribe the form of a certificate to be
33 used by a person purchasing an aircraft to document eligibility for a
34 deduction pursuant to section 42-5061, subsection B, paragraph ~~7~~ 8,
35 subdivision (a), item (v) or an exemption pursuant to section 42-5159,
36 subsection B, paragraph ~~7~~ 8, subdivision (a), item (v), relating to
37 aircraft. The person must provide this certificate and documentation
38 confirming that the operational control of the aircraft has been
39 transferred or will be transferred immediately after the purchase to one
40 or more persons described in section 42-5061, subsection B, paragraph
41 ~~7~~ 8, subdivision (a), item (i), (ii), (iii) or (iv) or section 42-5159,
42 subsection B, paragraph ~~7~~ 8, subdivision (a), item (i), (ii), (iii)
43 or (iv). Operational control of the aircraft must be transferred for at
44 least fifty percent of the aircraft's flight hours. If such operational
45 control is not transferred for at least fifty percent of the aircraft's

1 flight hours during the recapture period, the owner of the aircraft is
2 liable for an amount equal to any tax that the seller or purchaser would
3 have been required to pay under this chapter at the time of the sale, plus
4 penalty and interest. The recapture period begins on the date that
5 operational control of the aircraft is first transferred and ends on the
6 later of the date the aircraft is fully depreciated for federal income tax
7 purposes or five years after operational control was first transferred.
8 For the purposes of this subsection, operational control of the aircraft
9 must be within the meaning of federal aviation administration operations
10 specification A008, or its successor, except that:

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

16 2. If the aircraft is sold during the recapture period, the seller
17 is not liable for the amount determined pursuant to this subsection unless
18 the operational control of the aircraft had not been transferred for at
19 least fifty percent of the aircraft's flight hours at the time of the
20 sale.

21 Sec. 4. Section 42-5061, Arizona Revised Statutes, as amended by
22 Laws 2018, chapter 104, section 15 and chapter 249, section 1, is amended
23 to read:

24 42-5061. Retail classification: definitions

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

30 1. Professional or personal service occupations or businesses that
31 involve sales or transfers of tangible personal property only as
32 inconsequential elements.

33 2. Services rendered in addition to selling tangible personal
34 property at retail.

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

38 4. Sales of tangible personal property by any nonprofit
39 organization organized and operated exclusively for charitable purposes
40 and recognized by the United States internal revenue service under section
41 501(c)(3) of the internal revenue code.

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

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

3 7. The sale of stocks and bonds.

4 8. Drugs and medical oxygen, including delivery hose, mask or tent,
5 regulator and tank, on the prescription of a member of the medical, dental
6 or veterinarian profession who is licensed by law to administer such
7 substances.

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

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

12 11. Prescription eyeglasses or contact lenses.

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

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

21 14. Sales of motor vehicles to nonresidents of this state for use
22 outside this state if the motor vehicle dealer ships or delivers the motor
23 vehicle to a destination out of this state.

24 15. Food, as provided in and subject to the conditions of article 3
25 of this chapter and section 42-5074.

26 16. Items purchased with United States department of agriculture
27 coupons issued under the supplemental nutrition assistance program
28 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;
29 7 United States Code sections 2011 through 2036b) by the United States
30 department of agriculture food and nutrition service or food instruments
31 issued under section 17 of the child nutrition act (P.L. 95-627; 92
32 Stat. 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States Code
33 section 1786).

34 17. Textbooks by any bookstore that are required by any state
35 university or community college.

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

40 19. Articles of food, drink or condiment and accessory tangible
41 personal property to a school district or charter school if such articles
42 and accessory tangible personal property are to be prepared and served to
43 persons for consumption on the premises of a public school within the
44 district or on the premises of the charter school during school hours.

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

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

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

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

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

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

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

32 22. Motor vehicle fuel and use fuel that are subject to a tax
33 imposed under title 28, chapter 16, article 1, sales of use fuel to a
34 holder of a valid single trip use fuel tax permit issued under section
35 28-5739, sales of aviation fuel that are subject to the tax imposed under
36 section 28-8344 and sales of jet fuel that are subject to the tax imposed
37 under article 8 of this chapter.

38 23. Tangible personal property sold to a person engaged in the
39 business of leasing or renting such property under the personal property
40 rental classification if such property is to be leased or rented by such
41 person.

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

1 25. Tangible personal property sold to:

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

3 (b) A qualifying health care organization as defined in section
4 42-5001 if the tangible personal property is used by the organization
5 solely to provide health and medical related educational and charitable
6 services.

7 (c) A qualifying health care organization as defined in section
8 42-5001 if the organization is dedicated to providing educational,
9 therapeutic, rehabilitative and family medical education training for
10 blind and visually impaired children and children with multiple
11 disabilities from the time of birth to age twenty-one.

12 (d) A qualifying community health center as defined in section
13 42-5001.

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

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

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

27 (h) Any person representing or working on behalf of another person
28 described in subdivisions (a) through (g) of this paragraph if the
29 tangible personal property is incorporated or fabricated into a project
30 described in section 42-5075, subsection 0.

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

33 27. Tangible personal property sold to:

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

39 (i) Incorporated or fabricated by the person into any real
40 property, structure, project, development or improvement as part of the
41 business.

42 (ii) Incorporated or fabricated by the person into any project
43 described in section 42-5075, subsection 0.

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

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

6 28. The sale of a motor vehicle to:

7 (a) A nonresident of this state if the purchaser's state of
8 residence does not allow a corresponding use tax exemption to the tax
9 imposed by article 1 of this chapter and if the nonresident has secured a
10 special ninety day nonresident registration permit for the vehicle as
11 prescribed by sections 28-2154 and 28-2154.01.

12 (b) An enrolled member of an Indian tribe who resides on the Indian
13 reservation established for that tribe.

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

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

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

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

44 33. Sales of seeds, seedlings, roots, bulbs, cuttings and other
45 propagative material to persons who use those items to commercially

1 produce agricultural, horticultural, viticultural or floricultural crops
2 in this state.

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

8 35. Sales of natural gas or liquefied petroleum gas used to propel
9 a motor vehicle.

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

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

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

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

43 (a) "Personal property liquidation transaction" means a sale of
44 personal property made by a personal property liquidator acting solely on
45 behalf of the owner of the personal property sold at the dwelling of the

1 owner or on the death of any owner, on behalf of the surviving spouse, if
2 any, any devisee or heir or the personal representative of the estate of
3 the deceased, if one has been appointed.

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

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

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

15 42. Sales of:

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

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

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

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

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

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

44 47. Sales of materials that are purchased by or for publicly funded
45 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. 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 58. Orthodontic devices dispensed by a dental professional who is
18 licensed under title 32, chapter 11 to a patient as part of the practice
19 of dentistry.

20 59. Sales of tangible personal property incorporated or fabricated
21 into a project described in section 42-5075, subsection 0, that is located
22 within the exterior boundaries of an Indian reservation for which the
23 owner, as defined in section 42-5075, of the project is an Indian tribe or
24 an affiliated Indian. For the purposes of this paragraph:

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

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

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

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

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

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

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

14 3. Tangible personal property sold to persons engaged in business
15 classified under the telecommunications classification, including a person
16 representing or working on behalf of such a person in a manner described
17 in section 42-5075, subsection 0, and consisting of central office
18 switching equipment, switchboards, private branch exchange equipment,
19 microwave radio equipment and carrier equipment including optical fiber,
20 coaxial cable and other transmission media that are components of carrier
21 systems.

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

27 5. MACHINERY AND EQUIPMENT USED DIRECTLY FOR ENERGY STORAGE FOR
28 LATER ELECTRICAL USE. FOR THE PURPOSES OF THIS PARAGRAPH:

29 (a) "ELECTRIC UTILITY SCALE" MEANS A PERSON ENGAGED IN A BUSINESS
30 ACTIVITY DESCRIBED IN SECTION 42-5063, SUBSECTION A OR THE PERSON'S
31 EQUIPMENT SUPPLIERS.

32 (b) "ENERGY STORAGE" MEANS COMMERCIALY AVAILABLE TECHNOLOGY FOR
33 ELECTRIC UTILITY SCALE THAT IS CAPABLE OF ABSORBING ENERGY, STORING ENERGY
34 FOR A PERIOD OF TIME AND THEREAFTER DISPATCHING THE ENERGY AND THAT USES
35 MECHANICAL, CHEMICAL OR THERMAL PROCESSES TO STORE ENERGY.

36 (c) "MACHINERY AND EQUIPMENT USED DIRECTLY" MEANS ALL MACHINERY AND
37 EQUIPMENT USED FOR ELECTRIC ENERGY STORAGE FROM THE POINT OF RECEIPT FROM
38 THE GRID IN ORDER TO FACILITATE STORAGE OF THE ELECTRIC ENERGY TO THE
39 POINT WHERE ELECTRIC ENERGY IS RELEASED TO THE GRID.

40 ~~5.~~ 6. Neat animals, horses, asses, sheep, ratites, swine or goats
41 used or to be used as breeding or production stock, including sales of
42 breedings or ownership shares in such animals used for breeding or
43 production.

44 ~~6.~~ 7. Pipes or valves four inches in diameter or larger used to
45 transport oil, natural gas, artificial gas, water or coal slurry,

1 including compressor units, regulators, machinery and equipment, fittings,
2 seals and any other part that is used in operating the pipes or valves.

3 ~~7.~~ 8. Aircraft, navigational and communication instruments and
4 other accessories and related equipment sold to:

5 (a) A person:

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

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

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

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

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

33 (b) Any foreign government.

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

41 ~~8.~~ 9. Machinery, tools, equipment and related supplies used or
42 consumed directly in repairing, remodeling or maintaining aircraft,
43 aircraft engines or aircraft component parts by or on behalf of a
44 certificated or licensed carrier of persons or property.

1 ~~9.~~ 10. Railroad rolling stock, rails, ties and signal control
2 equipment used directly to transport persons or property.

3 ~~10.~~ 11. Machinery or equipment used directly to drill for oil or
4 gas or used directly in the process of extracting oil or gas from the
5 earth for commercial purposes.

6 ~~11.~~ 12. Buses or other urban mass transit vehicles that are used
7 directly to transport persons or property for hire or pursuant to a
8 governmentally adopted and controlled urban mass transportation program
9 and that are sold to bus companies holding a federal certificate of
10 convenience and necessity or operated by any city, town or other
11 governmental entity or by any person contracting with such governmental
12 entity as part of a governmentally adopted and controlled program to
13 provide urban mass transportation.

14 ~~12.~~ 13. Groundwater measuring devices required under section
15 45-604.

16 ~~13.~~ 14. New machinery and equipment consisting of agricultural
17 aircraft, tractors, tractor-drawn implements, self-powered implements,
18 machinery and equipment necessary for extracting milk, and machinery and
19 equipment necessary for cooling milk and livestock, and drip irrigation
20 lines not already exempt under paragraph ~~6~~ 7 of this subsection and that
21 are used for commercial production of agricultural, horticultural,
22 viticultural and floricultural crops and products in this state. For the
23 purposes of this paragraph:

24 (a) "New machinery and equipment" means machinery and equipment
25 that have never been sold at retail except pursuant to leases or rentals
26 that do not total two years or more.

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

29 ~~14.~~ 15. Machinery or equipment used in research and development.
30 For the purposes of this paragraph, "research and development" means basic
31 and applied research in the sciences and engineering, and designing,
32 developing or testing prototypes, processes or new products, including
33 research and development of computer software that is embedded in or an
34 integral part of the prototype or new product or that is required for
35 machinery or equipment otherwise exempt under this section to function
36 effectively. Research and development do not include manufacturing
37 quality control, routine consumer product testing, market research, sales
38 promotion, sales service, research in social sciences or psychology,
39 computer software research that is not included in the definition of
40 research and development, or other nontechnological activities or
41 technical services.

42 ~~15.~~ 16. Tangible personal property that is used by either of the
43 following to receive, store, convert, produce, generate, decode, encode,
44 control or transmit telecommunications information:

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

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

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

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

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

19 ~~16.~~ 17. Clean rooms that are used for manufacturing, processing,
20 fabrication or research and development, as defined in paragraph ~~14~~ 15 of
21 this subsection, of semiconductor products. For the purposes of this
22 paragraph, "clean room" means all property that comprises or creates an
23 environment where humidity, temperature, particulate matter and
24 contamination are precisely controlled within specified parameters,
25 without regard to whether the property is actually contained within that
26 environment or whether any of the property is affixed to or incorporated
27 into real property. Clean room:

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

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

36 ~~17.~~ 18. Machinery and equipment used directly in the feeding of
37 poultry, the environmental control of housing for poultry, the movement of
38 eggs within a production and packaging facility or the sorting or cooling
39 of eggs. This exemption does not apply to vehicles used for transporting
40 eggs.

41 ~~18.~~ 19. Machinery or equipment, including related structural
42 components, that is employed in connection with manufacturing, processing,
43 fabricating, job printing, refining, mining, natural gas pipelines,
44 metallurgical operations, telecommunications, producing or transmitting
45 electricity or research and development and that is used directly to meet

1 or exceed rules or regulations adopted by the federal energy regulatory
2 commission, the United States environmental protection agency, the United
3 States nuclear regulatory commission, the Arizona department of
4 environmental quality or a political subdivision of this state to prevent,
5 monitor, control or reduce land, water or air pollution.

6 ~~19.~~ 20. Machinery and equipment that are sold to a person engaged
7 in the commercial production of livestock, livestock products or
8 agricultural, horticultural, viticultural or floricultural crops or
9 products in this state, including a person representing or working on
10 behalf of such a person in a manner described in section 42-5075,
11 subsection 0, if the machinery and equipment are used directly and
12 primarily to prevent, monitor, control or reduce air, water or land
13 pollution.

14 ~~20.~~ 21. Machinery or equipment that enables a television station
15 to originate and broadcast or to receive and broadcast digital television
16 signals and that was purchased to facilitate compliance with the
17 telecommunications act of 1996 (P.L. 104-104; 110 Stat. 56; 47 United
18 States Code section 336) and the federal communications commission order
19 issued April 21, 1997 (47 Code of Federal Regulations part 73). This
20 paragraph does not exempt any of the following:

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

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

26 (c) Any machinery or equipment purchased after the television
27 station has ceased analog broadcasting, or purchased after November 1,
28 2009, whichever occurs first.

29 ~~21.~~ 22. Qualifying equipment that is purchased from and after June
30 30, 2004 through June 30, 2024 by a qualified business under section
31 41-1516 for harvesting or processing qualifying forest products removed
32 from qualifying projects as defined in section 41-1516. To qualify for
33 this deduction, the qualified business at the time of purchase must
34 present its certification approved by the department.

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

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

41 2. Janitorial equipment and hand tools.

42 3. Office equipment, furniture and supplies.

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

1 5. Motor vehicles required to be licensed by this state, except
2 buses or other urban mass transit vehicles specifically exempted pursuant
3 to subsection B, paragraph ~~11~~ 12 of this section, without regard to the
4 use of such motor vehicles.

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

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

8 8. Machinery and equipment or other tangible personal property used
9 by a contractor in the performance of a contract.

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

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

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

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

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

42 1. Agricultural producers who are owners, proprietors or tenants of
43 agricultural lands, orchards, farms or gardens where agricultural products
44 are grown, raised or prepared for market and who are marketing their own
45 agricultural products.

- 1 2. Businesses classified under the:
- 2 (a) Transporting classification.
- 3 (b) Utilities classification.
- 4 (c) Telecommunications classification.
- 5 (d) Pipeline classification.
- 6 (e) Private car line classification.
- 7 (f) Publication classification.
- 8 (g) Job printing classification.
- 9 (h) Prime contracting classification.
- 10 (i) Restaurant classification.

11 I. The gross proceeds of sales or gross income derived from the
12 following shall be deducted from the tax base for the retail
13 classification:

14 1. Sales made directly to the United States government or its
15 departments or agencies by a manufacturer, modifier, assembler or
16 repairer.

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

21 3. 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.

27 4. Sales of overhead materials or other tangible personal property
28 to a manufacturer, modifier, assembler or repairer if the gross proceeds
29 of sales or gross income derived from the property by the manufacturer,
30 modifier, assembler or repairer will be exempt under paragraph 3 of this
31 subsection.

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

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

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

43 1. A manufacturer's cash rebate on the sales price of a motor
44 vehicle if the buyer assigns the buyer's right in the rebate to the
45 retailer.

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

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

7 N. In computing the tax base in the case of the sale or transfer of
8 wireless telecommunications equipment as an inducement to a customer to
9 enter into or continue a contract for telecommunications services that are
10 taxable under section 42-5064, gross proceeds of sales or gross income
11 does not include any sales commissions or other compensation received by
12 the retailer as a result of the customer entering into or continuing a
13 contract for the telecommunications services.

14 O. For the purposes of this section, a sale of wireless
15 telecommunications equipment to a person who holds the equipment for sale
16 or transfer to a customer as an inducement to enter into or continue a
17 contract for telecommunications services that are taxable under section
18 42-5064 is considered to be a sale for resale in the regular course of
19 business.

20 P. Retail sales of prepaid calling cards or prepaid authorization
21 numbers for telecommunications services, including sales of
22 reauthorization of a prepaid card or authorization number, are subject to
23 tax under this section.

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

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

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

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

36 1. The transfer of title or possession of the coal is for the
37 purpose of refining the coal.

38 2. The title or possession of the coal is transferred back to the
39 owner or operator of the power plant after completion of the coal refining
40 process. For the purposes of this paragraph, "coal refining process"
41 means the application of a coal additive system that aids in the reduction
42 of power plant emissions during the combustion of coal and the treatment
43 of flue gas.

44 S. If a seller is entitled to a deduction pursuant to subsection B,
45 paragraph ~~15~~ 16, subdivision (b) of this section, the department may

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

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

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

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

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

36 V. For the purposes of this section:

37 1. "Agricultural aircraft" means an aircraft that is built for
38 agricultural use for the aerial application of pesticides or fertilizer or
39 for aerial seeding.

40 2. "Aircraft" includes:

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

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

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

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

13 W. For the purposes of subsection I of this section:

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

17 2. "Manufacturer" means a person who is principally engaged in the
18 fabrication, production or manufacture of products, wares or articles for
19 use from raw or prepared materials, imparting to those materials new
20 forms, qualities, properties and combinations.

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

23 4. "Overhead materials" means tangible personal property, the gross
24 proceeds of sales or gross income derived from that would otherwise be
25 included in the retail classification, and that are used or consumed in
26 the performance of a contract, the cost of which is charged to an overhead
27 expense account and allocated to various contracts based on generally
28 accepted accounting principles and consistent with government contract
29 accounting standards.

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

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

1 Sec. 5. Section 42-5061, Arizona Revised Statutes, as amended by
2 Laws 2018, chapter 104, section 15, chapter 249, section 1 and chapter
3 263, section 1, is amended to read:

4 42-5061. Retail classification: definitions

5 A. The retail classification is comprised of the business of
6 selling tangible personal property at retail. The tax base for the retail
7 classification is the gross proceeds of sales or gross income derived from
8 the business. The tax imposed on the retail classification does not apply
9 to the gross proceeds of sales or gross income from:

10 1. Professional or personal service occupations or businesses that
11 involve sales or transfers of tangible personal property only as
12 inconsequential elements.

13 2. Services rendered in addition to selling tangible personal
14 property at retail.

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

18 4. Sales of tangible personal property by any nonprofit
19 organization organized and operated exclusively for charitable purposes
20 and recognized by the United States internal revenue service under section
21 501(c)(3) of the internal revenue code.

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

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

27 7. The sale of stocks and bonds.

28 8. Drugs and medical oxygen, including delivery hose, mask or tent,
29 regulator and tank, on the prescription of a member of the medical, dental
30 or veterinarian profession who is licensed by law to administer such
31 substances.

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

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

36 11. Prescription eyeglasses or contact lenses.

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

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

1 14. Sales of motor vehicles to nonresidents of this state for use
2 outside this state if the motor vehicle dealer ships or delivers the motor
3 vehicle to a destination out of this state.

4 15. Food, as provided in and subject to the conditions of article 3
5 of this chapter and section 42-5074.

6 16. Items purchased with United States department of agriculture
7 coupons issued under the supplemental nutrition assistance program
8 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;
9 7 United States Code sections 2011 through 2036b) by the United States
10 department of agriculture food and nutrition service or food instruments
11 issued under section 17 of the child nutrition act (P.L. 95-627; 92 Stat.
12 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States Code
13 section 1786).

14 17. Textbooks by any bookstore that are required by any state
15 university or community college.

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

20 19. Articles of food, drink or condiment and accessory tangible
21 personal property to a school district or charter school if such articles
22 and accessory tangible personal property are to be prepared and served to
23 persons for consumption on the premises of a public school within the
24 district or on the premises of the charter school during school hours.

25 20. Lottery tickets or shares pursuant to title 5, chapter 5.1,
26 article 1.

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

34 (a) "Cash equivalents" means items or intangibles, whether or not
35 negotiable, that are sold to one or more persons, through which a value
36 denominated in money is purchased in advance and may be redeemed in full
37 or in part for tangible personal property, intangibles or services. Cash
38 equivalents include gift cards, stored value cards, gift certificates,
39 vouchers, traveler's checks, money orders or other instruments, orders or
40 electronic mechanisms, such as an electronic code, personal identification
41 number or digital payment mechanism, or any other prepaid intangible right
42 to acquire tangible personal property, intangibles or services in the
43 future, whether from the seller of the cash equivalent or from another
44 person. Cash equivalents do not include either of the following:

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

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

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

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

12 22. Motor vehicle fuel and use fuel that are subject to a tax
13 imposed under title 28, chapter 16, article 1, sales of use fuel to a
14 holder of a valid single trip use fuel tax permit issued under section
15 28-5739, sales of aviation fuel that are subject to the tax imposed under
16 section 28-8344 and sales of jet fuel that are subject to the tax imposed
17 under article 8 of this chapter.

18 23. Tangible personal property sold to a person engaged in the
19 business of leasing or renting such property under the personal property
20 rental classification if such property is to be leased or rented by such
21 person.

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

25 25. Tangible personal property sold to:

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

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

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

36 (d) A qualifying community health center as defined in section
37 42-5001.

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

41 (f) For taxable periods beginning from and after June 30, 2001, a
42 nonprofit charitable organization that has qualified under section
43 501(c)(3) of the internal revenue code and that provides residential
44 apartment housing for low income persons over sixty-two years of age in a
45 facility that qualifies for a federal housing subsidy, if the tangible

1 personal property is used by the organization solely to provide
2 residential apartment housing for low income persons over sixty-two years
3 of age in a facility that qualifies for a federal housing subsidy.

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

6 (h) Any person representing or working on behalf of another person
7 described in subdivisions (a) through (g) of this paragraph if the
8 tangible personal property is incorporated or fabricated into a project
9 described in section 42-5075, subsection 0.

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

12 27. Tangible personal property sold to:

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

18 (i) Incorporated or fabricated by the person into any real
19 property, structure, project, development or improvement as part of the
20 business.

21 (ii) Incorporated or fabricated by the person into any project
22 described in section 42-5075, subsection 0.

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

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

30 28. The sale of a motor vehicle to:

31 (a) A nonresident of this state if the purchaser's state of
32 residence does not allow a corresponding use tax exemption to the tax
33 imposed by article 1 of this chapter and if the nonresident has secured a
34 special ninety day nonresident registration permit for the vehicle as
35 prescribed by sections 28-2154 and 28-2154.01.

36 (b) An enrolled member of an Indian tribe who resides on the Indian
37 reservation established for that tribe.

38 29. Tangible personal property purchased in this state by a
39 nonprofit charitable organization that has qualified under section
40 501(c)(3) of the United States internal revenue code and that engages in
41 and uses such property exclusively in programs for persons with mental or
42 physical disabilities if the programs are exclusively for training, job
43 placement, rehabilitation or testing.

44 30. Sales of tangible personal property by a nonprofit organization
45 that is exempt from taxation under section 501(c)(3), 501(c)(4) or

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

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

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

23 33. Sales of seeds, seedlings, roots, bulbs, cuttings and other
24 propagative material to persons who use those items to commercially
25 produce agricultural, horticultural, viticultural or floricultural crops
26 in this state.

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

32 35. Sales of natural gas or liquefied petroleum gas used to propel
33 a motor vehicle.

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

37 37. Petroleum, coke, natural gas, virgin fuel oil and electricity
38 sold to a qualified environmental technology manufacturer, producer or
39 processor as defined in section 41-1514.02 and directly used or consumed
40 in the generation or provision of on-site power or energy solely for
41 environmental technology manufacturing, producing or processing or
42 environmental protection. This paragraph shall apply for twenty full
43 consecutive calendar or fiscal years from the date the first paper
44 manufacturing machine is placed in service. In the case of an
45 environmental technology manufacturer, producer or processor who does not

1 manufacture paper, the time period shall begin with the date the first
2 manufacturing, processing or production equipment is placed in service.

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

16 39. Through December 31, 1994, personal property liquidation
17 transactions, conducted by a personal property liquidator. From and after
18 December 31, 1994, personal property liquidation transactions shall be
19 taxable under this section provided that nothing in this subsection shall
20 be construed to authorize the taxation of casual activities or
21 transactions under this chapter. For the purposes of this paragraph:

22 (a) "Personal property liquidation transaction" means a sale of
23 personal property made by a personal property liquidator acting solely on
24 behalf of the owner of the personal property sold at the dwelling of the
25 owner or on the death of any owner, on behalf of the surviving spouse, if
26 any, any devisee or heir or the personal representative of the estate of
27 the deceased, if one has been appointed.

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

30 40. Sales of food, drink and condiment for consumption within the
31 premises of any prison, jail or other institution under the jurisdiction
32 of the state department of corrections, the department of public safety,
33 the department of juvenile corrections or a county sheriff.

34 41. A motor vehicle and any repair and replacement parts and
35 tangible personal property becoming a part of such motor vehicle sold to a
36 motor carrier who is subject to a fee prescribed in title 28, chapter 16,
37 article 4 and who is engaged in the business of leasing or renting such
38 property.

39 42. Sales of:

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

42 (b) Livestock and poultry feed, salts, vitamins and other additives
43 for livestock or poultry consumption that are sold to persons for use or
44 consumption by their own livestock or poultry, for use or consumption in
45 the businesses of farming, ranching and producing or feeding livestock,

1 poultry, or livestock or poultry products or for use or consumption in
2 noncommercial boarding of livestock. For the purposes of this paragraph,
3 "poultry" includes ratites.

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

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

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

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

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

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

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

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

37 49. Sales of alternative fuel vehicles if the vehicle was
38 manufactured as a diesel fuel vehicle and converted to operate on
39 alternative fuel and equipment that is installed in a conventional diesel
40 fuel motor vehicle to convert the vehicle to operate on an alternative
41 fuel, as defined in section 1-215.

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

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

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

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

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

15 (b) "Curriculum design or enhancement" means planning, implementing
16 or reporting on courses of study, lessons, assignments or other learning
17 activities.

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

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

26 56. Sales or other transfers of renewable energy credits or any
27 other unit created to track energy derived from renewable energy
28 resources. For the purposes of this paragraph, "renewable energy credit"
29 means a unit created administratively by the corporation commission or
30 governing body of a public power utility to track kilowatt hours of
31 electricity derived from a renewable energy resource or the kilowatt hour
32 equivalent of conventional energy resources displaced by distributed
33 renewable energy resources.

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

42 58. Orthodontic devices dispensed by a dental professional who is
43 licensed under title 32, chapter 11 to a patient as part of the practice
44 of dentistry.

1 59. Sales of tangible personal property incorporated or fabricated
2 into a project described in section 42-5075, subsection 0, that is located
3 within the exterior boundaries of an Indian reservation for which the
4 owner, as defined in section 42-5075, of the project is an Indian tribe or
5 an affiliated Indian. For the purposes of this paragraph:

6 (a) "Affiliated Indian" means an individual native American Indian
7 who is duly registered on the tribal rolls of the Indian tribe for whose
8 benefit the Indian reservation was established.

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

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

18 60. Sales of works of fine art, as defined in section 44-1771, at
19 an art auction or gallery in this state to nonresidents of this state for
20 use outside this state if the vendor ships or delivers the work of fine
21 art to a destination outside this state.

22 61. Sales of coal.

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

27 1. Machinery, or equipment, used directly in manufacturing,
28 processing, fabricating, job printing, refining or metallurgical
29 operations. The terms "manufacturing", "processing", "fabricating", "job
30 printing", "refining" and "metallurgical" as used in this paragraph refer
31 to and include those operations commonly understood within their ordinary
32 meaning. "Metallurgical operations" includes leaching, milling,
33 precipitating, smelting and refining.

34 2. Mining machinery, or equipment, used directly in the process of
35 extracting ores or minerals from the earth for commercial purposes,
36 including equipment required to prepare the materials for extraction and
37 handling, loading or transporting such extracted material to the surface.
38 "Mining" includes underground, surface and open pit operations for
39 extracting ores and minerals.

40 3. Tangible personal property sold to persons engaged in business
41 classified under the telecommunications classification, including a person
42 representing or working on behalf of such a person in a manner described
43 in section 42-5075, subsection 0, and consisting of central office
44 switching equipment, switchboards, private branch exchange equipment,
45 microwave radio equipment and carrier equipment including optical fiber,

1 coaxial cable and other transmission media that are components of carrier
2 systems.

3 4. Machinery, equipment or transmission lines used directly in
4 producing or transmitting electrical power, but not including
5 distribution. Transformers and control equipment used at transmission
6 substation sites constitute equipment used in producing or transmitting
7 electrical power.

8 5. MACHINERY AND EQUIPMENT USED DIRECTLY FOR ENERGY STORAGE FOR
9 LATER ELECTRICAL USE. FOR THE PURPOSES OF THIS PARAGRAPH:

10 (a) "ELECTRIC UTILITY SCALE" MEANS A PERSON ENGAGED IN A BUSINESS
11 ACTIVITY DESCRIBED IN SECTION 42-5063, SUBSECTION A OR THE PERSON'S
12 EQUIPMENT SUPPLIERS.

13 (b) "ENERGY STORAGE" MEANS COMMERCIALY AVAILABLE TECHNOLOGY FOR
14 ELECTRIC UTILITY SCALE THAT IS CAPABLE OF ABSORBING ENERGY, STORING ENERGY
15 FOR A PERIOD OF TIME AND THEREAFTER DISPATCHING THE ENERGY AND THAT USES
16 MECHANICAL, CHEMICAL OR THERMAL PROCESSES TO STORE ENERGY.

17 (c) "MACHINERY AND EQUIPMENT USED DIRECTLY" MEANS ALL MACHINERY AND
18 EQUIPMENT USED FOR ELECTRIC ENERGY STORAGE FROM THE POINT OF RECEIPT FROM
19 THE GRID IN ORDER TO FACILITATE STORAGE OF THE ELECTRIC ENERGY TO THE
20 POINT WHERE ELECTRIC ENERGY IS RELEASED TO THE GRID.

21 ~~5.~~ 6. Neat animals, horses, asses, sheep, ratites, swine or goats
22 used or to be used as breeding or production stock, including sales of
23 breedings or ownership shares in such animals used for breeding or
24 production.

25 ~~6.~~ 7. Pipes or valves four inches in diameter or larger used to
26 transport oil, natural gas, artificial gas, water or coal slurry,
27 including compressor units, regulators, machinery and equipment, fittings,
28 seals and any other part that is used in operating the pipes or valves.

29 ~~7.~~ 8. Aircraft, navigational and communication instruments and
30 other accessories and related equipment sold to:

31 (a) A person:

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

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

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

1 (iv) Operating an aircraft to transport persons in any manner for
2 compensation or hire, or for use in a fractional ownership program that
3 meets the requirements of federal aviation administration regulations
4 (14 Code of Federal Regulations part 91, subpart K), including as an air
5 carrier, a foreign air carrier or a commercial operator or under a
6 restricted category, within the meaning of 14 Code of Federal Regulations,
7 regardless of whether the operation or aircraft is regulated or certified
8 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code
9 of Federal Regulations.

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

15 (b) Any foreign government.

16 (c) Persons who are not residents of this state and who will not
17 use such property in this state other than in removing such property from
18 this state. This subdivision also applies to corporations that are not
19 incorporated in this state, regardless of maintaining a place of business
20 in this state, if the principal corporate office is located outside this
21 state and the property will not be used in this state other than in
22 removing the property from this state.

23 ~~8.~~ 9. Machinery, tools, equipment and related supplies used or
24 consumed directly in repairing, remodeling or maintaining aircraft,
25 aircraft engines or aircraft component parts by or on behalf of a
26 certificated or licensed carrier of persons or property.

27 ~~9.~~ 10. Railroad rolling stock, rails, ties and signal control
28 equipment used directly to transport persons or property.

29 ~~10.~~ 11. Machinery or equipment used directly to drill for oil or
30 gas or used directly in the process of extracting oil or gas from the
31 earth for commercial purposes.

32 ~~11.~~ 12. Buses or other urban mass transit vehicles that are used
33 directly to transport persons or property for hire or pursuant to a
34 governmentally adopted and controlled urban mass transportation program
35 and that are sold to bus companies holding a federal certificate of
36 convenience and necessity or operated by any city, town or other
37 governmental entity or by any person contracting with such governmental
38 entity as part of a governmentally adopted and controlled program to
39 provide urban mass transportation.

40 ~~12.~~ 13. Groundwater measuring devices required under section
41 45-604.

42 ~~13.~~ 14. New machinery and equipment consisting of agricultural
43 aircraft, tractors, tractor-drawn implements, self-powered implements,
44 machinery and equipment necessary for extracting milk, and machinery and
45 equipment necessary for cooling milk and livestock, and drip irrigation

1 lines not already exempt under paragraph ~~6~~ 7 of this subsection and that
2 are used for commercial production of agricultural, horticultural,
3 viticultural and floricultural crops and products in this state. For the
4 purposes of this paragraph:

5 (a) "New machinery and equipment" means machinery and equipment
6 that have never been sold at retail except pursuant to leases or rentals
7 that do not total two years or more.

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

10 ~~14.~~ 15. Machinery or equipment used in research and development.
11 For the purposes of this paragraph, "research and development" means basic
12 and applied research in the sciences and engineering, and designing,
13 developing or testing prototypes, processes or new products, including
14 research and development of computer software that is embedded in or an
15 integral part of the prototype or new product or that is required for
16 machinery or equipment otherwise exempt under this section to function
17 effectively. Research and development do not include manufacturing
18 quality control, routine consumer product testing, market research, sales
19 promotion, sales service, research in social sciences or psychology,
20 computer software research that is not included in the definition of
21 research and development, or other nontechnological activities or
22 technical services.

23 ~~15.~~ 16. Tangible personal property that is used by either of the
24 following to receive, store, convert, produce, generate, decode, encode,
25 control or transmit telecommunications information:

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

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

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

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

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

44 ~~16.~~ 17. Clean rooms that are used for manufacturing, processing,
45 fabrication or research and development, as defined in paragraph ~~14~~ 15 of

1 this subsection, of semiconductor products. For the purposes of this
2 paragraph, "clean room" means all property that comprises or creates an
3 environment where humidity, temperature, particulate matter and
4 contamination are precisely controlled within specified parameters,
5 without regard to whether the property is actually contained within that
6 environment or whether any of the property is affixed to or incorporated
7 into real property. Clean room:

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

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

16 ~~17.~~ 18. Machinery and equipment used directly in the feeding of
17 poultry, the environmental control of housing for poultry, the movement of
18 eggs within a production and packaging facility or the sorting or cooling
19 of eggs. This exemption does not apply to vehicles used for transporting
20 eggs.

21 ~~18.~~ 19. Machinery or equipment, including related structural
22 components, that is employed in connection with manufacturing, processing,
23 fabricating, job printing, refining, mining, natural gas pipelines,
24 metallurgical operations, telecommunications, producing or transmitting
25 electricity or research and development and that is used directly to meet
26 or exceed rules or regulations adopted by the federal energy regulatory
27 commission, the United States environmental protection agency, the United
28 States nuclear regulatory commission, the Arizona department of
29 environmental quality or a political subdivision of this state to prevent,
30 monitor, control or reduce land, water or air pollution.

31 ~~19.~~ 20. Machinery and equipment that are sold to a person engaged
32 in the commercial production of livestock, livestock products or
33 agricultural, horticultural, viticultural or floricultural crops or
34 products in this state, including a person representing or working on
35 behalf of such a person in a manner described in section 42-5075,
36 subsection 0, if the machinery and equipment are used directly and
37 primarily to prevent, monitor, control or reduce air, water or land
38 pollution.

39 ~~20.~~ 21. Machinery or equipment that enables a television station
40 to originate and broadcast or to receive and broadcast digital television
41 signals and that was purchased to facilitate compliance with the
42 telecommunications act of 1996 (P.L. 104-104; 110 Stat. 56; 47 United
43 States Code section 336) and the federal communications commission order
44 issued April 21, 1997 (47 Code of Federal Regulations part 73). This
45 paragraph does not exempt any of the following:

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

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

6 (c) Any machinery or equipment purchased after the television
7 station has ceased analog broadcasting, or purchased after November 1,
8 2009, whichever occurs first.

9 ~~21.~~ 22. Qualifying equipment that is purchased from and after June
10 30, 2004 through June 30, 2024 by a qualified business under section
11 41-1516 for harvesting or processing qualifying forest products removed
12 from qualifying projects as defined in section 41-1516. To qualify for
13 this deduction, the qualified business at the time of purchase must
14 present its certification approved by the department.

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

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

21 2. Janitorial equipment and hand tools.

22 3. Office equipment, furniture and supplies.

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

26 5. Motor vehicles required to be licensed by this state, except
27 buses or other urban mass transit vehicles specifically exempted pursuant
28 to subsection B, paragraph ~~11~~ 12 of this section, without regard to the
29 use of such motor vehicles.

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

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

33 8. Machinery and equipment or other tangible personal property used
34 by a contractor in the performance of a contract.

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

43 E. In computing the tax base, gross proceeds of sales or gross
44 income from retail sales of heavy trucks and trailers does not include any

1 amount attributable to federal excise taxes imposed by 26 United States
2 Code section 4051.

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

9 G. If a person is engaged in the business of selling tangible
10 personal property at both wholesale and retail, the tax under this section
11 applies only to the gross proceeds of the sales made other than at
12 wholesale if the person's books are kept so as to show separately the
13 gross proceeds of sales of each class, and if the books are not so kept,
14 the tax under this section applies to the gross proceeds of every sale so
15 made.

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

23 1. Agricultural producers who are owners, proprietors or tenants of
24 agricultural lands, orchards, farms or gardens where agricultural products
25 are grown, raised or prepared for market and who are marketing their own
26 agricultural products.

27 2. Businesses classified under the:

28 (a) Transporting classification.

29 (b) Utilities classification.

30 (c) Telecommunications classification.

31 (d) Pipeline classification.

32 (e) Private car line classification.

33 (f) Publication classification.

34 (g) Job printing classification.

35 (h) Prime contracting classification.

36 (i) Restaurant classification.

37 I. The gross proceeds of sales or gross income derived from the
38 following shall be deducted from the tax base for the retail
39 classification:

40 1. Sales made directly to the United States government or its
41 departments or agencies by a manufacturer, modifier, assembler or
42 repairer.

43 2. Sales made directly to a manufacturer, modifier, assembler or
44 repairer if such sales are of any ingredient or component part of products

1 sold directly to the United States government or its departments or
2 agencies by the manufacturer, modifier, assembler or repairer.

3 3. Overhead materials or other tangible personal property that is
4 used in performing a contract between the United States government and a
5 manufacturer, modifier, assembler or repairer, including property used in
6 performing a subcontract with a government contractor who is a
7 manufacturer, modifier, assembler or repairer, to which title passes to
8 the government under the terms of the contract or subcontract.

9 4. Sales of overhead materials or other tangible personal property
10 to a manufacturer, modifier, assembler or repairer if the gross proceeds
11 of sales or gross income derived from the property by the manufacturer,
12 modifier, assembler or repairer will be exempt under paragraph 3 of this
13 subsection.

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

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

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

25 1. A manufacturer's cash rebate on the sales price of a motor
26 vehicle if the buyer assigns the buyer's right in the rebate to the
27 retailer.

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

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

34 N. In computing the tax base in the case of the sale or transfer of
35 wireless telecommunications equipment as an inducement to a customer to
36 enter into or continue a contract for telecommunications services that are
37 taxable under section 42-5064, gross proceeds of sales or gross income
38 does not include any sales commissions or other compensation received by
39 the retailer as a result of the customer entering into or continuing a
40 contract for the telecommunications services.

41 O. For the purposes of this section, a sale of wireless
42 telecommunications equipment to a person who holds the equipment for sale
43 or transfer to a customer as an inducement to enter into or continue a
44 contract for telecommunications services that are taxable under section

1 42-5064 is considered to be a sale for resale in the regular course of
2 business.

3 P. Retail sales of prepaid calling cards or prepaid authorization
4 numbers for telecommunications services, including sales of
5 reauthorization of a prepaid card or authorization number, are subject to
6 tax under this section.

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

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

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

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

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

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

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

39 T. In computing the tax base for the sale of a motor vehicle to a
40 nonresident of this state, if the purchaser's state of residence allows a
41 corresponding use tax exemption to the tax imposed by article 1 of this
42 chapter and the rate of the tax in the purchaser's state of residence is
43 lower than the rate prescribed in article 1 of this chapter or if the
44 purchaser's state of residence does not impose an excise tax, and the
45 nonresident has secured a special ninety day nonresident registration

1 permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01,
2 there shall be deducted from the tax base a portion of the gross proceeds
3 or gross income from the sale so that the amount of transaction privilege
4 tax that is paid in this state is equal to the excise tax that is imposed
5 by the purchaser's state of residence on the nonexempt sale or use of the
6 motor vehicle.

7 U. For the purposes of this section:

8 1. "Agricultural aircraft" means an aircraft that is built for
9 agricultural use for the aerial application of pesticides or fertilizer or
10 for aerial seeding.

11 2. "Aircraft" includes:

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

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

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

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

27 V. For the purposes of subsection I of this section:

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

31 2. "Manufacturer" means a person who is principally engaged in the
32 fabrication, production or manufacture of products, wares or articles for
33 use from raw or prepared materials, imparting to those materials new
34 forms, qualities, properties and combinations.

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

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

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

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

11 Sec. 6. Section 42-5064, Arizona Revised Statutes, is amended to
12 read:

13 42-5064. Telecommunications classification; definitions

14 A. The telecommunications classification is comprised of the
15 business of providing intrastate telecommunications services. The
16 telecommunications classification does not include:

17 1. Sales of intrastate telecommunications services by a cable
18 operator or by a microwave television transmission system that transmits
19 television programming to multiple subscribers and that is operated
20 pursuant to 47 Code of Federal Regulations parts 21 and 74.

21 2. Sales of internet access or application services to the person's
22 subscribers and customers. For the purposes of this paragraph:

23 (a) "Application services" means software applications provided
24 remotely using hypertext transfer protocol or another network protocol and
25 purchased by or for any school district, charter school, community college
26 or state university to assess or test student learning or to promote
27 curriculum design or enhancement.

28 (b) "Curriculum design or enhancement" means planning, implementing
29 or reporting on courses of study, lessons, assignments or other learning
30 activities.

31 3. The leasing or renting of space to make attachments to utility
32 poles as follows:

33 (a) By a person that is engaged in business under this section.

34 (b) To a person that is engaged in business under section 42-5063
35 or this section or that is a cable operator.

36 B. The tax base for the telecommunications classification is the
37 gross proceeds of sales or gross income derived from the business,
38 including the gross income derived from tolls, subscriptions and services
39 on behalf of subscribers or from the publication of a directory of the
40 names of subscribers. However, the gross proceeds of sales or gross
41 income derived from the following shall be deducted from the tax base:

42 1. Sales of intrastate telecommunications services to:

43 (a) Other persons engaged in businesses classified under the
44 telecommunications classification for use in such business.

1 (b) A direct broadcast satellite television or data transmission
2 service that operates pursuant to 47 Code of Federal Regulations part 25
3 for use in its direct broadcast satellite television or data transmission
4 operation by a facility described in section 42-5061, subsection B,
5 paragraph ~~15~~ 16, subdivision (b).

6 2. End user common line charges established by federal
7 communications commission regulations (47 Code of Federal Regulations
8 section 69.104(a)).

9 3. Carrier access charges established by federal communications
10 commission regulations (47 Code of Federal Regulations sections 69.105(a)
11 through 69.118).

12 4. Sales of direct broadcast satellite television services pursuant
13 to 47 Code of Federal Regulations part 25 by a direct broadcast satellite
14 television service that operates pursuant to 47 Code of Federal
15 Regulations part 25.

16 5. Telecommunications services purchased with a prepaid calling
17 card, or a prepaid authorization number for telecommunications services,
18 that is taxable under section 42-5061.

19 C. A person that is engaged in a transient lodging business subject
20 to taxation under section 42-5070 and that provides telephone, fax or
21 internet access services to its customers at an additional charge, which
22 is separately stated on the customer invoice, is considered to be engaged
23 in business subject to taxation under this section for the purposes of
24 taxing the gross proceeds of sales or gross income derived from providing
25 those services.

26 D. The gross proceeds of sales or gross income derived from a
27 bundled transaction of services that are taxable pursuant to section
28 42-5023 are subject to the following:

29 1. A telecommunications service provider who can reasonably
30 identify the portion of the sales price of the bundled transaction derived
31 from charges for nontaxable services is subject to tax only on the gross
32 proceeds of sales or gross income derived from the taxable services. For
33 the purposes of this section, the telecommunications service provider may
34 elect to reasonably identify the portion of the sales price of the bundled
35 transaction derived from charges for nontaxable services by using
36 allocation percentages derived from the telecommunications service
37 provider's entire service area, including territories outside of this
38 state. On request, the department may require the telecommunications
39 service provider to provide this allocation information. The
40 reasonableness of the allocation is subject to audit by the department.

41 2. Notwithstanding sections 42-1118, 42-1120 and 42-1121, the
42 telecommunications service provider shall waive the right to file a claim
43 for a refund of taxes paid on the bundled transaction if the taxes paid
44 are based on the allocation percentage the telecommunications service

1 provider had determined to be reasonable at the beginning of the tax
2 period at issue.

3 3. The burden of proof is on the telecommunications service
4 provider to establish that the gross proceeds of sales or gross income is
5 derived from charges for nontaxable services.

6 E. For the purposes of this section:

7 1. "Bundled transaction" means a sale of multiple services in which
8 both of the following apply:

9 (a) The sale consists of both taxable and nontaxable services.

10 (b) The telecommunications service provider charges a customer one
11 sales price for all services that are sold instead of separately charging
12 for each individual service.

13 2. "Cable operator" has the same meaning prescribed in section
14 9-505.

15 3. "Internet" means the computer and telecommunications facilities
16 that comprise the interconnected worldwide network of networks that employ
17 the transmission control protocol or internet protocol, or any predecessor
18 or successor protocol, to communicate information of all kinds by wire or
19 radio.

20 4. "Internet access" means a service that enables users to access
21 content, information, ~~electronic mail~~ EMAIL or other services over the
22 internet. Internet access does not include telecommunications services
23 provided by a common carrier.

24 5. "Intrastate telecommunications services" means transmitting
25 signs, signals, writings, images, sounds, messages, data or other
26 information of any nature by wire, radio waves, light waves or other
27 electromagnetic means if the information transmitted originates and
28 terminates in this state.

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

32 Sec. 7. Section 42-5071, Arizona Revised Statutes, is amended to
33 read:

34 42-5071. Personal property rental classification; definitions

35 A. The personal property rental classification is comprised of the
36 business of leasing or renting tangible personal property for a
37 consideration. The tax does not apply to:

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

41 2. Activities engaged in by the Arizona exposition and state fair
42 board or county fair commissions in connection with events sponsored by
43 such entities.

44 3. Leasing or renting tangible personal property by a parent
45 corporation to a subsidiary corporation or by a subsidiary corporation to

1 another subsidiary of the same parent corporation if taxes were paid under
2 this chapter on the gross proceeds or gross income accruing from the
3 initial sale of the tangible personal property. For the purposes of this
4 paragraph, "subsidiary" means a corporation of which at least eighty
5 percent of the voting shares are owned by the parent corporation.

6 4. Operating coin-operated washing, drying and dry cleaning
7 machines or coin-operated car washing machines at establishments for the
8 use of such machines.

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

15 6. Leasing or renting aircraft, flight simulators or similar
16 training equipment to students or staff by nonprofit, accredited
17 educational institutions that offer associate or baccalaureate degrees in
18 aviation or aerospace related fields.

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

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

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

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

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

32 10. Leasing or renting billboards that are designed, intended or
33 used to advertise or inform and that are visible from any street, road or
34 other highway.

35 B. The tax base for the personal property rental classification is
36 the gross proceeds of sales or gross income derived from the business, but
37 the gross proceeds of sales or gross income derived from the following
38 shall be deducted from the tax base:

39 1. Reimbursements by the lessee to the lessor of a motor vehicle
40 for payments by the lessor of the applicable fees and taxes imposed by
41 sections 28-2003, 28-2352, 28-2402, 28-2481 and 28-5801, title 28, chapter
42 15, article 2 and article IX, section 11, Constitution of Arizona, to the
43 extent such amounts are separately identified as such fees and taxes and
44 are billed to the lessee.

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

4 (a) Section 42-5061, subsection A, paragraph 8, 9, 12, 13, 25, 29,
5 49 or 53.

6 (b) Section 42-5061, subsection B, except that a lease or rental of
7 new machinery or equipment is not exempt pursuant to section 42-5061,
8 subsection B, paragraph ~~13~~ 14 if the lease is for less than two years.

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

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

11 3. Motor vehicle fuel and use fuel that are subject to a tax
12 imposed under title 28, chapter 16, article 1, sales of use fuel to a
13 holder of a valid single trip use fuel tax permit issued under section
14 28-5739 and sales of aviation fuel that are subject to the tax imposed
15 under section 28-8344.

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

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

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

24 D. In computing the tax base, the gross proceeds of sales or gross
25 income from the lease or rental of a motor vehicle does not include any
26 amount attributable to the car rental surcharge under section 5-839,
27 28-5810 or 48-4234.

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

36 F. For the purposes of this section:

37 1. "Cable operator" has the same meaning prescribed ~~by~~ IN section
38 9-505.

39 2. "Utility pole" means any wooden, metal or other pole used for
40 utility purposes and the pole's appurtenances that are attached or
41 authorized for attachment by the person controlling the pole.

1 Sec. 8. Section 42-5075, Arizona Revised Statutes, is amended to
2 read:

3 42-5075. Prime contracting classification; exemptions;
4 definitions

5 A. The prime contracting classification is comprised of the
6 business of prime contracting and the business of manufactured building
7 dealer. Sales for resale to another manufactured building dealer are not
8 subject to tax. Sales for resale do not include sales to a lessor of
9 manufactured buildings. The sale of a used manufactured building is not
10 taxable under this chapter. The prime contracting classification does not
11 include any work or operation performed by a person that is not required
12 to be licensed by the registrar of contractors pursuant to section
13 32-1121.

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

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

20 2. Sales and installation of groundwater measuring devices required
21 under section 45-604 and groundwater monitoring wells required by law,
22 including monitoring wells installed for acquiring information for a
23 permit required by law.

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

29 4. The gross proceeds of sales or gross income received from a
30 contract entered into for the modification of any building, highway, road,
31 railroad, excavation, manufactured building or other structure, project,
32 development or improvement located in a military reuse zone for providing
33 aviation or aerospace services or for a manufacturer, assembler or
34 fabricator of aviation or aerospace products within an active military
35 reuse zone after the zone is initially established or renewed under
36 section 41-1531. To be eligible to qualify for this deduction, before
37 beginning work under the contract, the prime contractor must have applied
38 for a letter of qualification from the department of revenue.

39 5. The gross proceeds of sales or gross income derived from a
40 contract to construct a qualified environmental technology manufacturing,
41 producing or processing facility, as described in section 41-1514.02, and
42 from subsequent construction and installation contracts that begin within
43 ten years after the start of initial construction. To qualify for this
44 deduction, before beginning work under the contract, the prime contractor
45 must obtain a letter of qualification from the department of revenue.

1 This paragraph shall apply for ten full consecutive calendar or fiscal
2 years after the start of initial construction.

3 6. The gross proceeds of sales or gross income from a contract to
4 provide for one or more of the following actions, or a contract for site
5 preparation, constructing, furnishing or installing machinery, equipment
6 or other tangible personal property, including structures necessary to
7 protect exempt incorporated materials or installed machinery or equipment,
8 and tangible personal property incorporated into the project, to perform
9 one or more of the following actions in response to a release or suspected
10 release of a hazardous substance, pollutant or contaminant from a facility
11 to the environment, unless the release was authorized by a permit issued
12 by a governmental authority:

13 (a) Actions to monitor, assess and evaluate such a release or a
14 suspected release.

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

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

20 (d) Pumping and treatment or in situ treatment of contaminated
21 groundwater or surface water to reduce the concentration or toxicity of a
22 contaminant.

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

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

32 7. The gross proceeds of sales or gross income that is derived from
33 a contract for the installation, assembly, repair or maintenance of
34 machinery, equipment or other tangible personal property that is either
35 deducted from the tax base of the retail classification under section
36 42-5061, subsection B or that is exempt from use tax under section
37 42-5159, subsection B and that has independent functional utility,
38 pursuant to the following provisions:

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

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

43 (ii) Any activity performed on any tangible personal property
44 relating to machinery, equipment or other tangible personal property with

1 independent functional utility in furtherance of any of the purposes
2 provided for under subdivision (d) of this paragraph.

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

7 (b) The deduction provided in this paragraph does not include gross
8 proceeds of sales or gross income from the portion of any contracting
9 activity that consists of the development of, or modification to, real
10 property in order to facilitate the installation, assembly, repair,
11 maintenance or removal of machinery, equipment or other tangible personal
12 property that is either deducted from the tax base of the retail
13 classification under section 42-5061, subsection B or exempt from use tax
14 under section 42-5159, subsection B.

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

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

22 (i) Assembling the machinery, equipment or other tangible personal
23 property.

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

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

29 (iv) Stabilizing or protecting the machinery, equipment or other
30 tangible personal property during operation by bolting, burying or
31 performing other similar nonpermanent connections to either real property
32 or real property improvements.

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

36 (a) Section 42-5061, subsection A, paragraph 25, 29, 57 or 59.

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

38 (c) Section 42-5159, subsection A, paragraph 13, subdivision (a),
39 (b), (c), (d), (e), (f), (j), (k), (m) or (n) or paragraph 54 or 56.

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

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

1 10. The gross proceeds of sales or gross income that is derived
2 from a contract entered into with a person who is engaged in the
3 commercial production of livestock, livestock products or agricultural,
4 horticultural, viticultural or floricultural crops or products in this
5 state for the modification of any building, highway, road, excavation,
6 manufactured building or other structure, project, development or
7 improvement used directly and primarily to prevent, monitor, control or
8 reduce air, water or land pollution.

9 11. The gross proceeds of sales or gross income that is derived
10 from the installation, assembly, repair or maintenance of clean rooms that
11 are deducted from the tax base of the retail classification pursuant to
12 section 42-5061, subsection B, paragraph ~~16~~ 17.

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

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

27 14. The gross proceeds of sales or gross income derived from a
28 contract entered into for the construction of a launch site, as defined in
29 14 Code of Federal Regulations section 401.5.

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

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

37 17. The gross proceeds of sales or gross income received from
38 contracts entered into before July 1, 2006 for constructing a state
39 university research infrastructure project if the project has been
40 reviewed by the joint committee on capital review before the university
41 enters into the construction contract for the project. For the purposes
42 of this paragraph, "research infrastructure" has the same meaning
43 prescribed in section 15-1670.

44 18. The gross proceeds of sales or gross income received from a
45 contract for the construction of any building, or other structure,

1 project, development or improvement owned by a qualified business under
2 section 41-1516 for harvesting or processing qualifying forest products
3 removed from qualifying projects as defined in section 41-1516 if actual
4 construction begins before January 1, 2024. To qualify for this
5 deduction, the prime contractor must obtain a letter of qualification from
6 the Arizona commerce authority before beginning work under the contract.

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

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

14 (b) The attributable amount is equal to the total amount of
15 development fees paid by the prime contractor or subcontractor, and the
16 total development fees credited in exchange for the construction of,
17 contribution to or dedication of real property for providing public
18 infrastructure, public safety or other public services necessary to the
19 development. The real property must be the subject of the development
20 fees.

21 (c) "Development fees" means fees imposed to offset capital costs
22 of providing public infrastructure, public safety or other public services
23 to a development and authorized pursuant to section 9-463.05, section
24 11-1102 or title 48 regardless of the jurisdiction to which the fees are
25 paid.

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

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

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

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

1 (d) "Renewable energy" has the same meaning prescribed in section
2 41-1511.

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

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

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

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

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

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

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

44 D. Subcontractors or others who perform modification activities are
45 not subject to tax if they can demonstrate that the job was within the

1 control of a prime contractor or contractors or a dealership of
2 manufactured buildings and that the prime contractor or dealership is
3 liable for the tax on the gross income, gross proceeds of sales or gross
4 receipts attributable to the job and from which the subcontractors or
5 others were paid.

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

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

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

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

39 I. The gross proceeds of sales or gross income derived from a
40 contract for lawn maintenance services is not subject to tax under this
41 section if the contract does not include landscaping activities. Lawn
42 maintenance service is a service pursuant to section 42-5061, subsection
43 A, paragraph 1, and includes lawn mowing and edging, weeding, repairing
44 sprinkler heads or drip irrigation heads, seasonal replacement of flowers,
45 refreshing gravel, lawn dethatching, seeding winter lawns, leaf and debris

1 collection and removal, tree or shrub pruning or clipping, garden and
2 gravel raking and applying pesticides, as defined in section 3-361, and
3 fertilizer materials, as defined in section 3-262.

4 J. Except as provided in subsection 0 of this section, the gross
5 proceeds of sales or gross income derived from landscaping activities is
6 subject to tax under this section. Landscaping includes installing lawns,
7 grading or leveling ground, installing gravel or boulders, planting trees
8 and other plants, felling trees, removing or mulching tree stumps,
9 removing other imbedded plants, building irrigation berms, installing
10 railroad ties and installing underground sprinkler or watering systems.

11 K. The portion of gross proceeds of sales or gross income
12 attributable to the actual direct costs of providing architectural or
13 engineering services that are incorporated in a contract is not subject to
14 tax under this section. For the purposes of this subsection, "direct
15 costs" means the portion of the actual costs that are directly expended in
16 providing architectural or engineering services.

17 L. Operating a landfill or a solid waste disposal facility is not
18 subject to taxation under this section, including filling, compacting and
19 creating vehicle access to and from cell sites within the landfill.
20 Constructing roads to a landfill or solid waste disposal facility and
21 constructing cells within a landfill or solid waste disposal facility may
22 be deemed prime contracting under this section.

23 M. The following apply in determining the taxable situs of sales of
24 manufactured buildings:

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

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

32 3. For sales in this state where the manufactured building dealer
33 contracts to deliver the building to a setup site that is outside this
34 state, the situs is outside this state and the transaction is excluded
35 from tax.

36 N. The gross proceeds of sales or gross income attributable to a
37 written contract for design phase services or professional services,
38 executed before modification begins and with terms, conditions and pricing
39 of all of these services separately stated in the contract from those for
40 construction phase services, is not subject to tax under this section,
41 regardless of whether the services are provided sequential to or
42 concurrent with prime contracting activities that are subject to tax under
43 this section. This subsection does not include the gross proceeds of
44 sales or gross income attributable to construction phase services. For
45 the purposes of this subsection:

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

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

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

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

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

17 (ii) The amount of an adjustment, if any, to the guaranteed maximum
18 price as set in the contract for modification work. For the purposes of
19 this item, "guaranteed maximum price" means the amount guaranteed to be
20 the maximum amount due to a prime contractor for the performance of all
21 modification work for the project.

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

24 (d) Administration or supervision of any modification performed
25 pursuant to change directives. For the purposes of this subdivision,
26 "change directive" means a written order directing a change in
27 modification work before agreement on an adjustment of the guaranteed
28 maximum price or contract time.

29 (e) Inspection to determine the dates of substantial completion or
30 final completion.

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

37 (g) Preparation of status reports after modification work has begun
38 detailing the progress of work performed, including preparation of any of
39 the following:

40 (i) Master schedule updates.

41 (ii) Modification work cash flow projection updates.

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

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

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

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

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

7 (j) Administration or supervision of any other activities for which
8 a prime contractor receives a certificate for payment or certificate for
9 final payment based on the progress of modification work performed on the
10 project.

11 2. "Design phase services" means services for developing and
12 completing a design for a project that are not construction phase
13 services, including the following:

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

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

20 (c) Preparing drawings and specifications for architectural program
21 documents, schematic design documents, design development documents,
22 modification work documents or documents that identify the scope of or
23 materials for the project.

24 (d) Preparing an initial schedule for the project, excluding the
25 preparation of updates to the master schedule after modification work has
26 begun.

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

30 (i) Labor, materials, machinery and equipment, tools, water, heat,
31 utilities, transportation and other facilities and services used in the
32 execution and completion of modification work, regardless of whether they
33 are temporary or permanent or whether they are incorporated in the
34 modifications.

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

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

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

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

45 (vi) Any bond and insurance premiums.

1 (vii) Any applicable taxes.

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

4 (f) Reviewing and evaluating cost estimates and project documents
5 to prepare recommendations on site use, site improvements, selection of
6 materials, building systems and equipment, modification feasibility,
7 availability of materials and labor, local modification activity as
8 related to schedules and time requirements for modification work.

9 (g) Preparing the plan and procedures for selection of
10 subcontractors, including any prequalification of subcontractor
11 candidates.

12 3. "Professional services" means architect services, engineer
13 services, geologist services, land surveying services or landscape
14 architect services that are within the scope of those services as provided
15 in title 32, chapter 1 and for which gross proceeds of sales or gross
16 income has not otherwise been deducted under subsection K of this section.

17 0. 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 is not subject to tax under this section if the contract does not
21 include modification activities, except as specified in this subsection.
22 The gross proceeds of sales or gross income derived from a de minimis
23 amount of modification activity does not subject the contract or any part
24 of the contract to tax under this section. For the purposes of this
25 subsection:

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

29 2. Each contract is independent of any other contract, except that
30 any change order that directly relates to the scope of work of the
31 original contract shall be treated the same as the original contract under
32 this chapter, regardless of the amount of modification activities included
33 in the change order. If a change order does not directly relate to the
34 scope of work of the original contract, the change order shall be treated
35 as a new contract, with the tax treatment of any subsequent change order
36 to follow the tax treatment of the contract to which the scope of work of
37 the subsequent change order directly relates.

38 P. Notwithstanding subsection 0 of this section, a contract that
39 primarily involves surface or subsurface improvements to land and that is
40 subject to title 28, chapter 19, 20 or 22 or title 34, chapter 2 or 6 is
41 taxable under this section, even if the contract also includes vertical
42 improvements. Agencies that are subject to procurement processes under
43 those provisions shall include in the request for proposals a notice to
44 bidders when those projects are subject to this section. This subsection
45 does not apply to contracts with:

1 1. Community facilities districts, fire districts, county
2 television improvement districts, community park maintenance districts,
3 cotton pest control districts, hospital districts, pest abatement
4 districts, health service districts, agricultural improvement districts,
5 county free library districts, county jail districts, county stadium
6 districts, special health care districts, public health services
7 districts, theme park districts or revitalization districts.

8 2. Any special taxing district not specified in paragraph 1 of this
9 subsection if the district does not substantially engage in the
10 modification, maintenance, repair, replacement or alteration of surface or
11 subsurface improvements to land.

12 Q. Notwithstanding subsection R, paragraph 10 of this section, a
13 person owning real property who enters into a contract for sale of the
14 real property, who is responsible to the new owner of the property for
15 modifications made to the property in the period subsequent to the
16 transfer of title and who receives a consideration for the modifications
17 is considered a prime contractor solely for purposes of taxing the gross
18 proceeds of sale or gross income received for the modifications made
19 subsequent to the transfer of title. The original owner's gross proceeds
20 of sale or gross income received for the modifications shall be determined
21 according to the following methodology:

22 1. If any part of the contract for sale of the property specifies
23 amounts to be paid to the original owner for the modifications to be made
24 in the period subsequent to the transfer of title, the amounts are
25 included in the original owner's gross proceeds of sale or gross income
26 under this section. Proceeds from the sale of the property that are
27 received after transfer of title and that are unrelated to the
28 modifications made subsequent to the transfer of title are not considered
29 gross proceeds of sale or gross income from the modifications.

30 2. If the original owner enters into an agreement separate from the
31 contract for sale of the real property providing for amounts to be paid to
32 the original owner for the modifications to be made in the period
33 subsequent to the transfer of title to the property, the amounts are
34 included in the original owner's gross proceeds of sale or gross income
35 received for the modifications made subsequent to the transfer of title.

36 3. If the original owner is responsible to the new owner for
37 modifications made to the property in the period subsequent to the
38 transfer of title and derives any gross proceeds of sale or gross income
39 from the project subsequent to the transfer of title other than a delayed
40 disbursement from escrow unrelated to the modifications, it is presumed
41 that the amounts are received for the modifications made subsequent to the
42 transfer of title unless the contrary is established by the owner through
43 its books, records and papers kept in the regular course of business.

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

1 R. For the purposes of this section:

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

4 (a) For existing property that is properly classified as class two
5 property under section 42-12002, paragraph 1, subdivision (c) or paragraph
6 2, subdivision (c) and that is used for residential purposes, class three
7 property under section 42-12003 or class four property under section
8 42-12004, this paragraph does not apply if the contract amount is more
9 than twenty-five percent of the most recent full cash value established
10 under chapter 13, article 2 of this title as of the date of any bid for
11 the work or the date of the contract, whichever value is higher.

12 (b) For all existing property other than existing property
13 described in subdivision (a) of this paragraph, this paragraph does not
14 apply if the contract amount is more than ~~seven hundred fifty thousand~~
15 ~~dollars~~ \$750,000.

16 (c) Project elements may not be artificially separated from a
17 contract to cause a project to qualify as an alteration. The department
18 has the burden of proof that project elements have been artificially
19 separated from a contract.

20 (d) If a project for which the owner and the person performing the
21 work reasonably believed, at the inception of the contract, would be
22 treated as an alteration under this paragraph and, on completion of the
23 project, the project exceeded the applicable threshold described in either
24 subdivision (a) or (b) of this paragraph by no more than twenty-five
25 percent of the applicable threshold for any reason, the work performed
26 under the contract qualifies as an alteration.

27 (e) A change order that directly relates to the scope of work of
28 the original contract shall be treated as part of the original contract,
29 and the contract amount shall include any amount attributable to a change
30 order that directly relates to the scope of work of the original contract.

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

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

33 3. "Contractor" is synonymous with the term "builder" and means any
34 person or organization that undertakes to or offers to undertake to, or
35 purports to have the capacity to undertake to, or submits a bid to, or
36 does personally or by or through others, modify any building, highway,
37 road, railroad, excavation, manufactured building or other structure,
38 project, development or improvement, or to do any part of such a project,
39 including the erection of scaffolding or other structure or works in
40 connection with such a project, and includes subcontractors and specialty
41 contractors. For all purposes of taxation or deduction, this definition
42 shall govern without regard to whether or not such a contractor is acting
43 in fulfillment of a contract.

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

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

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

4 (b) Supervises, performs or coordinates the excavation and
5 completion of site improvements or the setup of a manufactured building,
6 including the contracting, if any, with any subcontractor or specialty
7 contractor for the completion of the contract.

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

10 (a) Any project described in subsection 0 of this section.

11 (b) Any wreckage or demolition of existing property, or any other
12 activity that is a necessary component of a project described in
13 subsection 0 of this section.

14 (c) Any mobilization or demobilization related to a project
15 described in subsection 0 of this section, such as the erection or removal
16 of temporary facilities to be used by those persons working on the
17 project.

18 7. "Modify" means to make a modification or cause a modification to
19 be made.

20 8. "Owner" means the person that holds title to the real property
21 or improvements to real property that is the subject of the work, as well
22 as an agent of the title holder and any person with the authority to
23 perform or authorize work on the real property or improvements, including
24 a tenant and a property manager. For the purposes of subsection 0 of this
25 section, a person who is hired by a general contractor that is hired by an
26 owner, or a subcontractor of a general contractor that is hired by an
27 owner, is considered to be hired by the owner.

28 9. "Prime contracting" means engaging in business as a prime
29 contractor.

30 10. "Prime contractor" means a contractor who supervises, performs
31 or coordinates the modification of any building, highway, road, railroad,
32 excavation, manufactured building or other structure, project, development
33 or improvement, including the contracting, if any, with any subcontractors
34 or specialty contractors and who is responsible for the completion of the
35 contract. Except as provided in subsections E and Q of this section, a
36 person who owns real property, who engages one or more contractors to
37 modify that real property and who does not itself modify that real
38 property is not a prime contractor within the meaning of this paragraph
39 regardless of the existence of a contract for sale or the subsequent sale
40 of that real property.

41 11. "Replacement" means the removal from service of one component
42 or system of existing property or tangible personal property installed in
43 existing property, including machinery or equipment, and the installation
44 of a new component or system or new tangible personal property, including
45 machinery or equipment, that provides the same, a similar or an upgraded

1 design or functionality, regardless of the contract amount and regardless
2 of whether the existing component or system or existing tangible personal
3 property is physically removed from the existing property.

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

6 Sec. 9. Section 42-5159, Arizona Revised Statutes, is amended to
7 read:

8 42-5159. Exemptions

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

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

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

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

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

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

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

42 7. Purchases of implants used as growth promotants and injectable
43 medicines, not already exempt under paragraph 16 of this subsection, for
44 livestock and poultry owned by, or in possession of, persons who are
45 engaged in producing livestock, poultry, or livestock or poultry products,

1 or who are engaged in feeding livestock or poultry commercially. For the
2 purposes of this paragraph, "poultry" includes ratites.

3 8. Purchases of:

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

6 (b) Livestock and poultry feed, salts, vitamins and other additives
7 sold to persons for use or consumption in the businesses of farming,
8 ranching and producing or feeding livestock or poultry or for use or
9 consumption in noncommercial boarding of livestock. For the purposes of
10 this paragraph, "poultry" includes ratites.

11 9. Seeds, seedlings, roots, bulbs, cuttings and other propagative
12 material for use in commercially producing agricultural, horticultural,
13 viticultural or floricultural crops in this state.

14 10. Tangible personal property not exceeding ~~two hundred dollars~~
15 \$200 in any one month purchased by an individual at retail outside the
16 continental limits of the United States for the individual's own personal
17 use and enjoyment.

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

22 12. Materials that are purchased by or for publicly funded
23 libraries including school district libraries, charter school libraries,
24 community college libraries, state university libraries or federal, state,
25 county or municipal libraries for use by the public as follows:

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

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

28 13. Tangible personal property purchased by:

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

32 (b) A hospital operated by this state or a political subdivision of
33 this state.

34 (c) A licensed nursing care institution or a licensed residential
35 care institution or a residential care facility operated in conjunction
36 with a licensed nursing care institution or a licensed kidney dialysis
37 center, which provides medical services, nursing services or health
38 related services and is not used or held for profit.

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

43 (e) A qualifying health care organization as defined in section
44 42-5001 if the organization is dedicated to providing educational,
45 therapeutic, rehabilitative and family medical education training for

1 blind and visually impaired children and children with multiple
2 disabilities from the time of birth to age twenty-one.

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

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

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

15 (ii) Incorporated or fabricated by the person into any project
16 described in section 42-5075, subsection 0.

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

19 (h) A person that is not subject to tax under section 42-5075 and
20 that has been provided a copy of a certificate described in section
21 42-5009, subsection L, if the property purchased is incorporated or
22 fabricated by the person into the real property, structure, project,
23 development or improvement described in the certificate.

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

28 (j) A qualifying community health center as defined in section
29 42-5001.

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

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

38 (m) For taxable periods beginning from and after June 30, 2001, a
39 nonprofit charitable organization that has qualified under section
40 501(c)(3) of the internal revenue code and that provides residential
41 apartment housing for low income persons over sixty-two years of age in a
42 facility that qualifies for a federal housing subsidy, if the tangible
43 personal property is used by the organization solely to provide
44 residential apartment housing for low income persons over sixty-two years
45 of age in a facility that qualifies for a federal housing subsidy.

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

3 (o) A person representing or working on behalf of any person
4 described in subdivision (a), (b), (c), (d), (e), (f), (i), (j), (k), (m)
5 or (n) of this paragraph, if the tangible personal property is
6 incorporated or fabricated into a project described in section 42-5075,
7 subsection 0.

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

13 15. Tangible personal property sold by:

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

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

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

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

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

44 18. Prescription eyeglasses and contact lenses.

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

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

2 21. 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, 13, 17 or 29, can withstand repeated use, is primarily and
6 customarily used to serve a medical purpose, is generally not useful to a
7 person in the absence of illness or injury and is appropriate for use in
8 the home.

9 22. Food, as provided in and subject to the conditions of article 3
10 of this chapter and section 42-5074.

11 23. Items purchased with United States department of agriculture
12 coupons issued under the supplemental nutrition assistance program
13 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;
14 7 United States Code sections 2011 through 2036b) by the United States
15 department of agriculture food and nutrition service or food instruments
16 issued under section 17 of the child nutrition act (P.L. 95-627; 92 Stat.
17 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States Code
18 section 1786).

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

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

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

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

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

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

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

39 31. Coal, petroleum, coke, natural gas, virgin fuel oil and
40 electricity purchased by a qualified environmental technology
41 manufacturer, producer or processor as defined in section 41-1514.02 and
42 directly used or consumed in the generation or provision of on-site power
43 or energy solely for environmental technology manufacturing, producing or
44 processing or environmental protection. This paragraph shall apply for
45 twenty full consecutive calendar or fiscal years from the date the first

1 paper manufacturing machine is placed in service. In the case of an
2 environmental technology manufacturer, producer or processor who does not
3 manufacture paper, the time period shall begin with the date the first
4 manufacturing, processing or production equipment is placed in service.

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

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

9 (b) Public educational institutions.

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

13 33. Natural gas or liquefied petroleum gas used to propel a motor
14 vehicle.

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

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

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

37 37. A motor vehicle and any repair and replacement parts and
38 tangible personal property becoming a part of such motor vehicle sold to a
39 motor carrier who is subject to a fee prescribed in title 28, chapter 16,
40 article 4 and who is engaged in the business of leasing or renting such
41 property.

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

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

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

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

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

32 41. Wireless telecommunications equipment that is held for sale or
33 transfer to a customer as an inducement to enter into or continue a
34 contract for telecommunications services that are taxable under section
35 42-5064.

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

39 43. Tangible personal property purchased by a commercial airline
40 and consisting of food, beverages and condiments and accessories used for
41 serving the food and beverages, if those items are to be provided without
42 additional charge to passengers for consumption in flight. For the
43 purposes of this paragraph, "commercial airline" means a person holding a
44 federal certificate of public convenience and necessity or foreign air

1 carrier permit for air transportation to transport persons, property or
2 United States mail in intrastate, interstate or foreign commerce.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18 55. Coal acquired from an owner or operator of a power plant by a
19 person who is responsible for refining coal if both of the following
20 apply:

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

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

29 56. Tangible personal property incorporated or fabricated into a
30 project described in section 42-5075, subsection 0, that is located within
31 the exterior boundaries of an Indian reservation for which the owner, as
32 defined in section 42-5075, of the project is an Indian tribe or an
33 affiliated Indian. For the purposes of this paragraph:

34 (a) "Affiliated Indian" means an individual native American Indian
35 who is duly registered on the tribal rolls of the Indian tribe for whose
36 benefit the Indian reservation was established.

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

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

1 57. Cash equivalents, precious metal bullion and monetized bullion
2 purchased by the ultimate consumer, but coins or other forms of money for
3 manufacture into jewelry or works of art are subject to tax, and tangible
4 personal property that is purchased through the redemption of any cash
5 equivalent by the holder as a means of payment for goods that are subject
6 to tax under this article is subject to tax. For the purposes of this
7 paragraph:

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

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

17 (ii) Prepaid calling cards for telecommunications services.

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

28 1. Machinery, or equipment, used directly in manufacturing,
29 processing, fabricating, job printing, refining or metallurgical
30 operations. The terms "manufacturing", "processing", "fabricating", "job
31 printing", "refining" and "metallurgical" as used in this paragraph refer
32 to and include those operations commonly understood within their ordinary
33 meaning. "Metallurgical operations" includes leaching, milling,
34 precipitating, smelting and refining.

35 2. Machinery, or equipment, used directly in the process of
36 extracting ores or minerals from the earth for commercial purposes,
37 including equipment required to prepare the materials for extraction and
38 handling, loading or transporting such extracted material to the
39 surface. "Mining" includes underground, surface and open pit operations
40 for extracting ores and minerals.

41 3. Tangible personal property sold to persons engaged in business
42 classified under the telecommunications classification under section
43 42-5064, including a person representing or working on behalf of such a
44 person in a manner described in section 42-5075, subsection 0, and
45 consisting of central office switching equipment, switchboards, private

1 branch exchange equipment, microwave radio equipment and carrier equipment
2 including optical fiber, coaxial cable and other transmission media that
3 are components of carrier systems.

4 4. Machinery, equipment or transmission lines used directly in
5 producing or transmitting electrical power, but not including
6 distribution. Transformers and control equipment used at transmission
7 substation sites constitute equipment used in producing or transmitting
8 electrical power.

9 5. MACHINERY AND EQUIPMENT USED DIRECTLY FOR ENERGY STORAGE FOR
10 LATER ELECTRICAL USE. FOR THE PURPOSES OF THIS PARAGRAPH:

11 (a) "ELECTRIC UTILITY SCALE" MEANS A PERSON ENGAGED IN A BUSINESS
12 ACTIVITY DESCRIBED IN SECTION 42-5063, SUBSECTION A OR THE PERSON'S
13 EQUIPMENT SUPPLIERS.

14 (b) "ENERGY STORAGE" MEANS COMMERCIALY AVAILABLE TECHNOLOGY FOR
15 ELECTRIC UTILITY SCALE THAT IS CAPABLE OF ABSORBING ENERGY, STORING ENERGY
16 FOR A PERIOD OF TIME AND THEREAFTER DISPATCHING THE ENERGY AND THAT USES
17 MECHANICAL, CHEMICAL OR THERMAL PROCESSES TO STORE ENERGY.

18 (c) "MACHINERY AND EQUIPMENT USED DIRECTLY" MEANS ALL MACHINERY AND
19 EQUIPMENT USED FOR ELECTRIC ENERGY STORAGE FROM THE POINT OF RECEIPT FROM
20 THE GRID IN ORDER TO FACILITATE STORAGE OF THE ELECTRIC ENERGY TO THE
21 POINT WHERE ELECTRIC ENERGY IS RELEASED TO THE GRID.

22 ~~5.~~ 6. Neat animals, horses, asses, sheep, ratites, swine or goats
23 used or to be used as breeding or production stock, including sales of
24 breedings or ownership shares in such animals used for breeding or
25 production.

26 ~~6.~~ 7. Pipes or valves four inches in diameter or larger used to
27 transport oil, natural gas, artificial gas, water or coal slurry,
28 including compressor units, regulators, machinery and equipment, fittings,
29 seals and any other part that is used in operating the pipes or valves.

30 ~~7.~~ 8. Aircraft, navigational and communication instruments and
31 other accessories and related equipment sold to:

32 (a) A person:

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

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

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

1 (iv) Operating an aircraft to transport persons in any manner for
2 compensation or hire, or for use in a fractional ownership program that
3 meets the requirements of federal aviation administration regulations (14
4 Code of Federal Regulations part 91, subpart K), including as an air
5 carrier, a foreign air carrier or a commercial operator or under a
6 restricted category, within the meaning of 14 Code of Federal Regulations,
7 regardless of whether the operation or aircraft is regulated or certified
8 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code
9 of Federal Regulations.

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

15 (b) Any foreign government.

16 (c) Persons who are not residents of this state and who will not
17 use such property in this state other than in removing such property from
18 this state. This subdivision also applies to corporations that are not
19 incorporated in this state, regardless of maintaining a place of business
20 in this state, if the principal corporate office is located outside this
21 state and the property will not be used in this state other than in
22 removing the property from this state.

23 ~~8-~~ 9. Machinery, tools, equipment and related supplies used or
24 consumed directly in repairing, remodeling or maintaining aircraft,
25 aircraft engines or aircraft component parts by or on behalf of a
26 certificated or licensed carrier of persons or property.

27 ~~9-~~ 10. Rolling stock, rails, ties and signal control equipment
28 used directly to transport persons or property.

29 ~~10-~~ 11. Machinery or equipment used directly to drill for oil or
30 gas or used directly in the process of extracting oil or gas from the
31 earth for commercial purposes.

32 ~~11-~~ 12. Buses or other urban mass transit vehicles that are used
33 directly to transport persons or property for hire or pursuant to a
34 governmentally adopted and controlled urban mass transportation program
35 and that are sold to bus companies holding a federal certificate of
36 convenience and necessity or operated by any city, town or other
37 governmental entity or by any person contracting with such governmental
38 entity as part of a governmentally adopted and controlled program to
39 provide urban mass transportation.

40 ~~12-~~ 13. Groundwater measuring devices required under section
41 45-604.

42 ~~13-~~ 14. New machinery and equipment consisting of agricultural
43 aircraft, tractors, tractor-drawn implements, self-powered implements,
44 machinery and equipment necessary for extracting milk, and machinery and
45 equipment necessary for cooling milk and livestock, and drip irrigation

1 lines not already exempt under paragraph ~~6~~ 7 of this subsection and that
2 are used for commercial production of agricultural, horticultural,
3 viticultural and floricultural crops and products in this state. For the
4 purposes of this paragraph:

5 (a) "New machinery and equipment" means machinery or equipment that
6 has never been sold at retail except pursuant to leases or rentals that do
7 not total two years or more.

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

10 ~~14~~ 15. Machinery or equipment used in research and development.
11 For the purposes of this paragraph, "research and development" means basic
12 and applied research in the sciences and engineering, and designing,
13 developing or testing prototypes, processes or new products, including
14 research and development of computer software that is embedded in or an
15 integral part of the prototype or new product or that is required for
16 machinery or equipment otherwise exempt under this section to function
17 effectively. Research and development do not include manufacturing
18 quality control, routine consumer product testing, market research, sales
19 promotion, sales service, research in social sciences or psychology,
20 computer software research that is not included in the definition of
21 research and development, or other nontechnological activities or
22 technical services.

23 ~~15~~ 16. Tangible personal property that is used by either of the
24 following to receive, store, convert, produce, generate, decode, encode,
25 control or transmit telecommunications information:

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

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

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

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

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

44 ~~16~~ 17. Clean rooms that are used for manufacturing, processing,
45 fabrication or research and development, as defined in paragraph ~~14~~ 15 of

1 this subsection, of semiconductor products. For the purposes of this
2 paragraph, "clean room" means all property that comprises or creates an
3 environment where humidity, temperature, particulate matter and
4 contamination are precisely controlled within specified parameters,
5 without regard to whether the property is actually contained within that
6 environment or whether any of the property is affixed to or incorporated
7 into real property. Clean room:

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

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

16 ~~17.~~ 18. Machinery and equipment that are used directly in the
17 feeding of poultry, the environmental control of housing for poultry, the
18 movement of eggs within a production and packaging facility or the sorting
19 or cooling of eggs. This exemption does not apply to vehicles used for
20 transporting eggs.

21 ~~18.~~ 19. Machinery or equipment, including related structural
22 components, that is employed in connection with manufacturing, processing,
23 fabricating, job printing, refining, mining, natural gas pipelines,
24 metallurgical operations, telecommunications, producing or transmitting
25 electricity or research and development and that is used directly to meet
26 or exceed rules or regulations adopted by the federal energy regulatory
27 commission, the United States environmental protection agency, the United
28 States nuclear regulatory commission, the Arizona department of
29 environmental quality or a political subdivision of this state to prevent,
30 monitor, control or reduce land, water or air pollution.

31 ~~19.~~ 20. Machinery and equipment that are used in the commercial
32 production of livestock, livestock products or agricultural,
33 horticultural, viticultural or floricultural crops or products in this
34 state, including production by a person representing or working on behalf
35 of such a person in a manner described in section 42-5075, subsection 0,
36 if the machinery and equipment are used directly and primarily to prevent,
37 monitor, control or reduce air, water or land pollution.

38 ~~20.~~ 21. Machinery or equipment that enables a television station
39 to originate and broadcast or to receive and broadcast digital television
40 signals and that was purchased to facilitate compliance with the
41 telecommunications act of 1996 (P.L. 104-104; 110 Stat. 56; 47 United
42 States Code section 336) and the federal communications commission order
43 issued April 21, 1997 (47 Code of Federal Regulations part 73). This
44 paragraph does not exempt any of the following:

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

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

6 (c) Any machinery or equipment purchased after the television
7 station has ceased analog broadcasting, or purchased after November 1,
8 2009, whichever occurs first.

9 ~~21.~~ 22. Qualifying equipment that is purchased from and after June
10 30, 2004 through June 30, 2024 by a qualified business under section
11 41-1516 for harvesting or processing qualifying forest products removed
12 from qualifying projects as defined in section 41-1516. To qualify for
13 this exemption, the qualified business must obtain and present its
14 certification from the Arizona commerce authority at the time of purchase.

15 ~~22.~~ 23. Machinery, equipment, materials and other tangible
16 personal property used directly and predominantly to construct a qualified
17 environmental technology manufacturing, producing or processing facility
18 as described in section 41-1514.02. This paragraph applies for ten full
19 consecutive calendar or fiscal years after the start of initial
20 construction.

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

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

27 2. Janitorial equipment and hand tools.

28 3. Office equipment, furniture and supplies.

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

32 5. Motor vehicles required to be licensed by this state, except
33 buses or other urban mass transit vehicles specifically exempted pursuant
34 to subsection B, paragraph ~~11~~ 12 of this section, without regard to the
35 use of such motor vehicles.

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

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

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

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

43 1. Revenues received from sales of ancillary services, electric
44 distribution services, electric generation services, electric transmission
45 services and other services related to providing electricity to a retail

1 electric customer who is located outside this state for use outside this
2 state if the electricity is delivered to a point of sale outside this
3 state.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25 H. For the purposes of subsection B of this section:

26 1. "Agricultural aircraft" means an aircraft that is built for
27 agricultural use for the aerial application of pesticides or fertilizer or
28 for aerial seeding.

29 2. "Aircraft" includes:

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

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

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

39 I. For the purposes of subsection D of this section, "ancillary
40 services", "electric distribution service", "electric generation service",
41 "electric transmission service" and "other services" have the same
42 meanings prescribed in section 42-5063.

1 Sec. 10. Section 42-6004, Arizona Revised Statutes, as amended by
2 Laws 2018, chapter 17, section 1, chapter 249, section 6 and chapter 341,
3 section 2, is amended to read:

4 42-6004. Exemption from municipal tax: definitions

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

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

20 2. Interstate telecommunications services, which include that
21 portion of telecommunications services, such as subscriber line service,
22 allocable by federal law to interstate telecommunications service.

23 3. Sales of warranty or service contracts.

24 4. Sales of motor vehicles to nonresidents of this state for use
25 outside this state if the motor vehicle dealer ships or delivers the motor
26 vehicle to a destination outside this state.

27 5. Interest on finance contracts.

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

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

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

34 (a) "Internet" means the computer and telecommunications facilities
35 that comprise the interconnected worldwide network of networks that employ
36 the transmission control protocol or internet protocol, or any predecessor
37 or successor protocol, to communicate information of all kinds by wire or
38 radio.

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

43 9. The gross proceeds of sales or gross income retained by the
44 Arizona exposition and state fair board from ride ticket sales at the
45 annual Arizona state fair.

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

3 (a) "Affiliated companies, businesses, persons or reciprocal
4 insurers" means the lessor holds a controlling interest in the lessee, the
5 lessee holds a controlling interest in the lessor, affiliated persons hold
6 a controlling interest in both the lessor and the lessee, or an unrelated
7 person holds a controlling interest in both the lessor and lessee.

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

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

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

16 (e) "Reciprocal insurer" has the same meaning prescribed in section
17 20-762.

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

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

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

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

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

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

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

44 (d) For the purposes of this paragraph, "independent functional
45 utility" means that the machinery, equipment or other tangible personal

1 property can independently perform its function without attachment to real
2 property, other than attachment for any of the following purposes:

3 (i) Assembling the machinery, equipment or other tangible personal
4 property.

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

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

10 (iv) Stabilizing or protecting the machinery, equipment or other
11 tangible personal property during operation by bolting, burying or
12 performing other dissimilar nonpermanent connections to either real
13 property or real property improvements.

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

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

26 14. The gross proceeds of sales or gross income derived from a
27 contract with the owner of real property or improvements to real property
28 for the maintenance, repair, replacement or alteration of existing
29 property, except as specified in this paragraph. The gross proceeds of
30 sales or gross income derived from a de minimis amount of modification
31 activity does not subject the contract or any part of the contract to tax.
32 For the purposes of this paragraph:

33 (a) Each contract is independent of another contract, except that
34 any change order that directly relates to the scope of work of the
35 original contract shall be treated the same as the original contract under
36 this paragraph, regardless of the amount of modification activities
37 included in the change order. If a change order does not directly relate
38 to the scope of work of the original contract, the change order shall be
39 treated as a new contract, with the tax treatment of any subsequent change
40 order to follow the tax treatment of the contract to which the scope of
41 work of the subsequent change order directly relates.

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

44 (c) This paragraph does not apply to a contract that primarily
45 involves surface or subsurface improvements to land and that is subject to

1 title 28, chapter 19, 20 or 22 or title 34, chapter 2 or 6 even if the
2 contract also includes vertical improvements. If a city or town imposes a
3 tax on contracts that are subject to procurement processes under those
4 provisions, the city or town shall include in the request for proposals a
5 notice to bidders when those projects are subject to the tax. This
6 subdivision does not apply to contracts with:

7 (i) Community facilities districts, fire districts, county
8 television improvement districts, community park maintenance districts,
9 cotton pest control districts, hospital districts, pest abatement
10 districts, health service districts, agricultural improvement districts,
11 county free library districts, county jail districts, county stadium
12 districts, special health care districts, public health services
13 districts, theme park districts or revitalization districts.

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

18 15. Monitoring services relating to an alarm system as defined in
19 section 32-101.

20 16. Tangible personal property, job printing or publications sold
21 to or purchased by, or tangible personal property leased, rented or
22 licensed for use to or by, a qualifying health sciences educational
23 institution as defined in section 42-5001.

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

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

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

35 18. Tangible personal property incorporated or fabricated into a
36 project described in paragraph 14 of this subsection, that is located
37 within the exterior boundaries of an Indian reservation for which the
38 owner, as defined in section 42-5075, of the project is an Indian tribe or
39 an affiliated Indian. For the purposes of this paragraph:

40 (a) "Affiliated Indian" means an individual native American Indian
41 who is duly registered on the tribal rolls of the Indian tribe for whose
42 benefit the Indian reservation was established.

43 (b) "Indian reservation" means all lands that are within the limits
44 of areas set aside by the United States for the exclusive use and
45 occupancy of an Indian tribe by treaty, law or executive order and that

1 are recognized as Indian reservations by the United States department of
2 the interior.

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

7 19. The charges for the leasing or renting of space to make
8 attachments to utility poles as follows:

9 (a) By a person that is engaged in the business of providing or
10 furnishing electrical services or telecommunication services or that is a
11 cable operator.

12 (b) To a person that is engaged in the business of providing or
13 furnishing electrical services or telecommunication services or that is a
14 cable operator.

15 20. Until March 1, 2017, the gross proceeds of sales or gross
16 income derived from entry fees paid by participants for events that
17 consist of a run, walk, swim or bicycle ride or a similar event, or any
18 combination of these events.

19 21. The gross proceeds of sales or gross income derived from entry
20 fees paid by participants for events that are operated or conducted by
21 nonprofit organizations that are exempt from taxation under section
22 501(c)(3) of the internal revenue code and of which no part of the
23 organization's net earnings inures to the benefit of any private
24 shareholder or individual, if the event consists of a run, walk, swim or
25 bicycle ride or a similar event, or any combination of these events.

26 22. THE GROSS PROCEEDS FROM SALES OR GROSS INCOME DERIVED FROM
27 SALES OF MACHINERY AND EQUIPMENT USED DIRECTLY FOR ENERGY STORAGE FOR
28 LATER ELECTRICAL USE. FOR THE PURPOSES OF THIS PARAGRAPH:

29 (a) "ELECTRIC UTILITY SCALE" MEANS A PERSON ENGAGED IN A BUSINESS
30 ACTIVITY DESCRIBED IN SECTION 42-5063, SUBSECTION A OR THE PERSON'S
31 EQUIPMENT SUPPLIERS.

32 (b) "ENERGY STORAGE" MEANS COMMERCIALY AVAILABLE TECHNOLOGY FOR
33 ELECTRIC UTILITY SCALE THAT IS CAPABLE OF ABSORBING ENERGY, STORING ENERGY
34 FOR A PERIOD OF TIME AND THEREAFTER DISPATCHING THE ENERGY AND THAT USES
35 MECHANICAL, CHEMICAL OR THERMAL PROCESSES TO STORE ENERGY.

36 (c) "MACHINERY AND EQUIPMENT USED DIRECTLY" MEANS ALL MACHINERY AND
37 EQUIPMENT USED FOR ELECTRIC ENERGY STORAGE FROM THE POINT OF RECEIPT FROM
38 THE GRID IN ORDER TO FACILITATE STORAGE OF THE ELECTRIC ENERGY TO THE
39 POINT WHERE ELECTRIC ENERGY IS RELEASED TO THE GRID.

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

44 C. A city, town or other taxing jurisdiction shall not levy a
45 transaction privilege, sales, gross receipts, use, franchise or other

1 similar tax or fee, however denominated, on gross proceeds of sales or
2 gross income derived from any of the following:

3 1. A motor carrier's use on the public highways in this state if
4 the motor carrier is subject to a fee prescribed in title 28, chapter 16,
5 article 4.

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

8 3. The sale of a motor vehicle and any repair and replacement parts
9 and tangible personal property becoming a part of such motor vehicle to a
10 motor carrier who is subject to a fee prescribed in title 28, chapter 16,
11 article 4 and who is engaged in the business of leasing, renting or
12 licensing such property.

13 4. Incarcerating or detaining in a privately operated prison, jail
14 or detention facility prisoners who are under the jurisdiction of the
15 United States, this state or any other state or a political subdivision of
16 this state or of any other state.

17 5. Transporting for hire persons, freight or property by light
18 motor vehicles subject to a fee under title 28, chapter 15, article 4.

19 6. Any amount attributable to development fees that are incurred in
20 relation to the construction, development or improvement of real property
21 and paid by the taxpayer as defined in the model city tax code or by a
22 contractor providing services to the taxpayer. For the purposes of this
23 paragraph:

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

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

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

38 7. Any amount attributable to fees collected by transportation
39 network companies issued a permit pursuant to section 28-9552.

40 8. Transporting for hire persons by transportation network company
41 drivers on transactions involving transportation network services as
42 defined in section 28-9551.

43 9. Transporting for hire persons by vehicle for hire companies that
44 are issued permits pursuant to section 28-9503.

1 10. Transporting for hire persons by vehicle for hire drivers on
2 transactions involving vehicle for hire services as defined in section
3 28-9501.

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

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

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

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

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

21 G. For the purposes of this section:

22 1. "Cable operator" has the same meaning prescribed in section
23 9-505.

24 2. "Electrical services" means transmitting or distributing
25 electricity, electric lights, current or power over lines, wires or
26 cables.

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

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

34 Sec. 11. Section 42-6004, Arizona Revised Statutes, as amended by
35 Laws 2018, chapter 17, section 1, chapter 249, section 6, chapter 263,
36 section 3 and chapter 341, section 2, is amended to read:

37 42-6004. Exemption from municipal tax; definitions

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

40 1. Exhibition events in this state sponsored, conducted or operated
41 by a nonprofit organization that is exempt from taxation under section
42 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the
43 organization is associated with a major league baseball team or a national
44 touring professional golfing association and no part of the organization's
45 net earnings inures to the benefit of any private shareholder or

1 individual. This paragraph does not apply to an organization that is
2 owned, managed or controlled, in whole or in part, by a major league
3 baseball team, or its owners, officers, employees or agents, or by a major
4 league baseball association or professional golfing association, or its
5 owners, officers, employees or agents, unless the organization conducted
6 or operated exhibition events in this state before January 1, 2018 that
7 were exempt from state transaction privilege tax under section 42-5073.

8 2. Interstate telecommunications services, which include that
9 portion of telecommunications services, such as subscriber line service,
10 allocable by federal law to interstate telecommunications service.

11 3. Sales of warranty or service contracts.

12 4. Sales of motor vehicles to nonresidents of this state for use
13 outside this state if the motor vehicle dealer ships or delivers the motor
14 vehicle to a destination outside this state.

15 5. Interest on finance contracts.

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

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

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

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

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

31 9. The gross proceeds of sales or gross income retained by the
32 Arizona exposition and state fair board from ride ticket sales at the
33 annual Arizona state fair.

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

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

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

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

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

4 (e) "Reciprocal insurer" has the same meaning prescribed in section
5 20-762.

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

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

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

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

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

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

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

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

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

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

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

43 (iv) Stabilizing or protecting the machinery, equipment or other
44 tangible personal property during operation by bolting, burying or

1 performing other dissimilar nonpermanent connections to either real
2 property or real property improvements.

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

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

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

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

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

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

41 (i) Community facilities districts, fire districts, county
42 television improvement districts, community park maintenance districts,
43 cotton pest control districts, hospital districts, pest abatement
44 districts, health service districts, agricultural improvement districts,
45 county free library districts, county jail districts, county stadium

1 districts, special health care districts, public health services
2 districts, theme park districts or revitalization districts.

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

7 15. Monitoring services relating to an alarm system as defined in
8 section 32-101.

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

13 17. The sale of coal.

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

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

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

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

31 19. The charges for the leasing or renting of space to make
32 attachments to utility poles as follows:

33 (a) By a person that is engaged in the business of providing or
34 furnishing electrical services or telecommunication services or that is a
35 cable operator.

36 (b) To a person that is engaged in the business of providing or
37 furnishing electrical services or telecommunication services or that is a
38 cable operator.

39 20. Until March 1, 2017, the gross proceeds of sales or gross
40 income derived from entry fees paid by participants for events that
41 consist of a run, walk, swim or bicycle ride or a similar event, or any
42 combination of these events.

43 21. The gross proceeds of sales or gross income derived from entry
44 fees paid by participants for events that are operated or conducted by
45 nonprofit organizations that are exempt from taxation under section

1 501(c)(3) of the internal revenue code and of which no part of the
2 organization's net earnings inures to the benefit of any private
3 shareholder or individual, if the event consists of a run, walk, swim or
4 bicycle ride or a similar event, or any combination of these events.

5 22. THE GROSS PROCEEDS FROM SALES OR GROSS INCOME DERIVED FROM
6 SALES OF MACHINERY AND EQUIPMENT USED DIRECTLY FOR ENERGY STORAGE FOR
7 LATER ELECTRICAL USE. FOR THE PURPOSES OF THIS PARAGRAPH:

8 (a) "ELECTRIC UTILITY SCALE" MEANS A PERSON ENGAGED IN A BUSINESS
9 ACTIVITY DESCRIBED IN SECTION 42-5063, SUBSECTION A OR THE PERSON'S
10 EQUIPMENT SUPPLIERS.

11 (b) "ENERGY STORAGE" MEANS COMMERCIALY AVAILABLE TECHNOLOGY FOR
12 ELECTRIC UTILITY SCALE THAT IS CAPABLE OF ABSORBING ENERGY, STORING ENERGY
13 FOR A PERIOD OF TIME AND THEREAFTER DISPATCHING THE ENERGY AND THAT USES
14 MECHANICAL, CHEMICAL OR THERMAL PROCESSES TO STORE ENERGY.

15 (c) "MACHINERY AND EQUIPMENT USED DIRECTLY" MEANS ALL MACHINERY AND
16 EQUIPMENT USED FOR ELECTRIC ENERGY STORAGE FROM THE POINT OF RECEIPT FROM
17 THE GRID IN ORDER TO FACILITATE STORAGE OF THE ELECTRIC ENERGY TO THE
18 POINT WHERE ELECTRIC ENERGY IS RELEASED TO THE GRID.

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

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

27 1. A motor carrier's use on the public highways in this state if
28 the motor carrier is subject to a fee prescribed in title 28, chapter 16,
29 article 4.

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

32 3. The sale of a motor vehicle and any repair and replacement parts
33 and tangible personal property becoming a part of such motor vehicle to a
34 motor carrier who is subject to a fee prescribed in title 28, chapter 16,
35 article 4 and who is engaged in the business of leasing, renting or
36 licensing such property.

37 4. Incarcerating or detaining in a privately operated prison, jail
38 or detention facility prisoners who are under the jurisdiction of the
39 United States, this state or any other state or a political subdivision of
40 this state or of any other state.

41 5. Transporting for hire persons, freight or property by light
42 motor vehicles subject to a fee under title 28, chapter 15, article 4.

43 6. Any amount attributable to development fees that are incurred in
44 relation to the construction, development or improvement of real property
45 and paid by the taxpayer as defined in the model city tax code or by a

1 contractor providing services to the taxpayer. For the purposes of this
2 paragraph:

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

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

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

17 7. Any amount attributable to fees collected by transportation
18 network companies issued a permit pursuant to section 28-9552.

19 8. Transporting for hire persons by transportation network company
20 drivers on transactions involving transportation network services as
21 defined in section 28-9551.

22 9. Transporting for hire persons by vehicle for hire companies that
23 are issued permits pursuant to section 28-9503.

24 10. Transporting for hire persons by vehicle for hire drivers on
25 transactions involving vehicle for hire services as defined in section
26 28-9501.

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

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

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

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

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

1 G. For the purposes of this section:

2 1. "Cable operator" has the same meaning prescribed in section
3 9-505.

4 2. "Electrical services" means transmitting or distributing
5 electricity, electric lights, current or power over lines, wires or
6 cables.

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

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

14 Sec. 12. Section 42-14151, Arizona Revised Statutes, is amended to
15 read:

16 42-14151. Annual determination of valuation; definition

17 A. The department shall annually determine the valuation, in the
18 manner prescribed by this article, of all property, owned or leased, and
19 used by taxpayers in the following businesses:

20 1. Operation of a natural gas distribution system.

21 2. Operation of a water utility system.

22 3. Operation of a sewer system or wastewater treatment facility.

23 4. Operation of an electric generation facility.

24 5. Operation of an ~~electric~~ ENERGY STORAGE, transmission or
25 distribution system.

26 B. For the purposes of this article, "generation of electricity"
27 means the process of taking a source of energy, including coal, natural
28 gas, oil, nuclear fuel or renewable sources and converting the energy into
29 electricity to be delivered to customers through a transmission and
30 distribution system.

31 Sec. 13. Section 42-14155, Arizona Revised Statutes, is amended to
32 read:

33 42-14155. Valuation of renewable energy and storage
34 equipment; definitions

35 A. Through December 31, 2040, the department shall determine the
36 full cash value of taxable renewable energy AND STORAGE equipment in the
37 manner prescribed by this section.

38 B. The full cash value of renewable energy AND STORAGE equipment is
39 twenty ~~per cent~~ PERCENT of the depreciated cost of the equipment.
40 Depreciated cost shall be determined by deducting depreciation from
41 taxable original cost. Depreciation shall not exceed ninety ~~per cent~~
42 PERCENT of the adjusted original cost.

43 C. FOR THE PURPOSES OF THIS SECTION, ALL ENERGY STORAGE EQUIPMENT,
44 BOTH COLOCATED WITH RENEWABLE ENERGY AND STAND-ALONE ENERGY STORAGE
45 EQUIPMENT, QUALIFIES FOR VALUATION PURSUANT TO THIS SECTION.

~~C.~~ D. For the purposes of this section:

1. "Depreciation" means straight-line depreciation over the useful life, as adopted by the department, of the item of property.

2. "ELECTRIC UTILITY SCALE" MEANS A PERSON ENGAGED IN A BUSINESS ACTIVITY DESCRIBED IN SECTION 42-5063, SUBSECTION A OR THE PERSON'S EQUIPMENT SUPPLIERS.

3. "ENERGY STORAGE" MEANS COMMERCIALY AVAILABLE TECHNOLOGY FOR ELECTRIC UTILITY SCALE THAT IS CAPABLE OF ABSORBING ENERGY, STORING ENERGY FOR A PERIOD OF TIME AND THEREAFTER DISPATCHING THE ENERGY AND THAT USES MECHANICAL, CHEMICAL OR THERMAL PROCESSES TO STORE ENERGY.

4. "MACHINERY AND EQUIPMENT USED DIRECTLY" MEANS ALL MACHINERY AND EQUIPMENT USED FOR ELECTRIC ENERGY STORAGE FROM THE POINT OF RECEIPT FROM THE GRID IN ORDER TO FACILITATE STORAGE OF THE ELECTRIC ENERGY TO THE POINT WHERE ELECTRIC ENERGY IS RELEASED TO THE GRID.

~~2.~~ 5. "Original cost" means the actual cost, without trending, of acquiring or constructing property, including additions, retirements, adjustments and transfers.

~~3.~~ 6. "Renewable energy AND STORAGE equipment" means electric generation facilities, electric transmission, electric distribution, ENERGY STORAGE, gas distribution or combination gas and electric transmission and distribution and transmission and distribution cooperative property that is located in this state, that is used or useful for the generation, storage, transmission or distribution of electric power, energy or fuel derived from solar, wind or other nonpetroleum renewable sources not intended for self-consumption, including materials and supplies and construction work in progress, but excluding licensed vehicles and property valued under sections 42-14154 and 42-14156.

~~4.~~ 7. "Taxable original cost" means original cost, as defined in this section, reduced by the value of any investment tax credits, production tax credits or cash grants in lieu of investment tax credits applicable to the taxable renewable energy AND STORAGE equipment.

Sec. 14. Conditional enactment

Section 42-5061, Arizona Revised Statutes, as amended by Laws 2018, chapter 104, section 15, chapter 249, section 1 and chapter 263, section 1 and this act, and section 42-6004, Arizona Revised Statutes, as amended by Laws 2018, chapter 17, section 1, chapter 249, section 6, chapter 263, section 3 and chapter 341, section 2 and this act, become effective on the date prescribed by Laws 2018, chapter 263, section 5 but only on the occurrence of the conditions prescribed by Laws 2018, chapter 263, section 5.