

PROPOSED AMENDMENT

SENATE AMENDMENTS TO S.B. 1340

(Reference to printed bill)

1 Page 7, line 14, strike "INTERNET"

2 Line 15, after "ASSESS" strike remainder of line, insert ", PROMOTE OR TEST
3 STUDENT LEARNING PURCHASED BY OR FOR ANY"

4 Line 16, after the period insert "'APPLICATION SERVICES" MEANS SOFTWARE
5 APPLICATIONS PROVIDED REMOTELY USING HYPERTEXT TRANSFER PROTOCOL OR ANOTHER
6 NETWORK PROTOCOL."

7 Page 16, line 28, after the period insert "FOR THE PURPOSES OF THIS PARAGRAPH,
8 "APPLICATION SERVICES" MEANS SOFTWARE APPLICATIONS PROVIDED REMOTELY USING
9 HYPERTEXT TRANSFER PROTOCOL OR ANOTHER NETWORK PROTOCOL."

10 Page 20, between lines 8 and 9, insert:

11 "Sec. 4. Section 42-5159, Arizona Revised Statutes, is amended to
12 read:

13 42-5159. Exemptions

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

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

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

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

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

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

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

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

23 8. Livestock, poultry, supplies, feed, salts, vitamins and other
24 additives for use or consumption in the businesses of farming, ranching and
25 feeding livestock or poultry, not including fertilizers, herbicides and
26 insecticides. For the purposes of this paragraph, "poultry" includes
27 ratites.

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

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

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

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

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

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

14 13. Tangible personal property purchased by:

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

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

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

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

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

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

6 (g) A person that is subject to tax under article 1 of this chapter by
7 reason of being engaged in business classified under the prime contracting
8 classification under section 42-5075, or a subcontractor working under the
9 control of a prime contractor, if the tangible personal property is any of
10 the following:

11 (i) Incorporated or fabricated by the contractor into a structure,
12 project, development or improvement in fulfillment of a contract.

13 (ii) Used in environmental response or remediation activities under
14 section 42-5075, subsection B, paragraph 6.

15 (iii) Incorporated or fabricated by the person into any lake facility
16 development in a commercial enhancement reuse district under conditions
17 prescribed for the deduction allowed by section 42-5075, subsection B,
18 paragraph 8.

19 (h) A nonprofit charitable organization that has qualified under
20 section 501(c)(3) of the internal revenue code if the property is purchased
21 from the parent or an affiliate organization that is located outside this
22 state.

23 (i) A qualifying community health center as defined in section
24 42-5001.

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

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

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

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

14 15. Tangible personal property sold by:

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

18 (b) A nonprofit organization that is exempt from taxation under
19 section 501(c)(3) or 501(c)(6) of the internal revenue code if the
20 organization is associated with a major league baseball team or a national
21 touring professional golfing association and no part of the organization's
22 net earnings inures to the benefit of any private shareholder or individual.

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

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

31 17. Prosthetic appliances, as defined in section 23-501, prescribed or
32 recommended by a person who is licensed, registered or otherwise

1 professionally credentialed as a physician, dentist, podiatrist,
2 chiropractor, naturopath, homeopath, nurse or optometrist.

3 18. Prescription eyeglasses and contact lenses.

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

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

6 21. Durable medical equipment which has a centers for medicare and
7 medicaid services common procedure code, is designated reimbursable by
8 medicare, is prescribed by a person who is licensed under title 32, chapter
9 7, 13, 17 or 29, can withstand repeated use, is primarily and customarily
10 used to serve a medical purpose, is generally not useful to a person in the
11 absence of illness or injury and is appropriate for use in the home.

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

14 23. Items purchased with United States department of agriculture food
15 stamp coupons issued under the food stamp act of 1977 (P.L. 95-113; 91 Stat.
16 958) or food instruments issued under section 17 of the child nutrition act
17 (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42 United States Code
18 section 1786).

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

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

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

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

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

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

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

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

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

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

23 (b) Public educational institutions.

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

27 33. Natural gas or liquefied petroleum gas used to propel a motor
28 vehicle.

29 34. Machinery, equipment, technology or related supplies that are only
30 useful to assist a person who is physically disabled as defined in section
31 46-191, has a developmental disability as defined in section 36-551 or has a

1 head injury as defined in section 41-3201 to be more independent and
2 functional.

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

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

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

24 38. Tangible personal property which is or directly enters into and
25 becomes an ingredient or component part of cards used as prescription plan
26 identification cards.

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

1 under the terms of the contract or subcontract. For the purposes of this
2 paragraph:

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

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

19 40. Through December 31, 1994, tangible personal property sold pursuant
20 to a personal property liquidation transaction, as defined in section
21 42-5061. From and after December 31, 1994, tangible personal property sold
22 pursuant to a personal property liquidation transaction, as defined in
23 section 42-5061, if the gross proceeds of the sales were included in the
24 measure of the tax imposed by article 1 of this chapter or if the personal
25 property liquidation was a casual activity or transaction.

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

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

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

9 44. Alternative fuel vehicles if the vehicle was manufactured as a
10 diesel fuel vehicle and converted to operate on alternative fuel and
11 equipment that is installed in a conventional diesel fuel motor vehicle to
12 convert the vehicle to operate on an alternative fuel, as defined in section
13 1-215.

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

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

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

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

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

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

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

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

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

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

22 3. Tangible personal property sold to persons engaged in business
23 classified under the telecommunications classification under section 42-5064
24 and consisting of central office switching equipment, switchboards, private
25 branch exchange equipment, microwave radio equipment and carrier equipment
26 including optical fiber, coaxial cable and other transmission media which are
27 components of carrier systems.

28 4. Machinery, equipment or transmission lines used directly in
29 producing or transmitting electrical power, but not including distribution.
30 Transformers and control equipment used at transmission substation sites
31 constitute equipment used in producing or transmitting electrical power.

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

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

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

10 (a) A person holding a federal certificate of public convenience and
11 necessity, a supplemental air carrier certificate under federal aviation
12 regulations (14 Code of Federal Regulations part 121) or a foreign air
13 carrier permit for air transportation for use as or in conjunction with or
14 becoming a part of aircraft to be used to transport persons, property or
15 United States mail in intrastate, interstate or foreign commerce.

16 (b) Any foreign government for use by such government outside of this
17 state, or sold to persons who are not residents of this state and who will
18 not use such property in this state other than in removing such property from
19 this state.

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

24 9. Rolling stock, rails, ties and signal control equipment used
25 directly to transport persons or property.

26 10. Machinery or equipment used directly to drill for oil or gas or
27 used directly in the process of extracting oil or gas from the earth for
28 commercial purposes.

29 11. Buses or other urban mass transit vehicles which are used directly
30 to transport persons or property for hire or pursuant to a governmentally
31 adopted and controlled urban mass transportation program and which are sold
32 to bus companies holding a federal certificate of convenience and necessity

1 or operated by any city, town or other governmental entity or by any person
2 contracting with such governmental entity as part of a governmentally adopted
3 and controlled program to provide urban mass transportation.

4 12. Groundwater measuring devices required under section 45-604.

5 13. New machinery and equipment consisting of tractors, tractor-drawn
6 implements, self-powered implements, machinery and equipment necessary for
7 extracting milk, and machinery and equipment necessary for cooling milk and
8 livestock, and drip irrigation lines not already exempt under paragraph 6 of
9 this subsection and that are used for commercial production of agricultural,
10 horticultural, viticultural and floricultural crops and products in this
11 state. For the purposes of this paragraph:

12 (a) "New machinery and equipment" means machinery or equipment which
13 has never been sold at retail except pursuant to leases or rentals which do
14 not total two years or more.

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

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

29 15. Machinery and equipment that are purchased by or on behalf of the
30 owners of a soundstage complex and primarily used for motion picture,
31 multimedia or interactive video production in the complex. This paragraph
32 applies only if the initial construction of the soundstage complex begins

1 after June 30, 1996 and before January 1, 2002 and the machinery and
2 equipment are purchased before the expiration of five years after the start
3 of initial construction. For the purposes of this paragraph:

4 (a) "Motion picture, multimedia or interactive video production"
5 includes products for theatrical and television release, educational
6 presentations, electronic retailing, documentaries, music videos, industrial
7 films, CD-ROM, video game production, commercial advertising and television
8 episode production and other genres that are introduced through developing
9 technology.

10 (b) "Soundstage complex" means a facility of multiple stages including
11 production offices, construction shops and related areas, prop and costume
12 shops, storage areas, parking for production vehicles and areas that are
13 leased to businesses that complement the production needs and orientation of
14 the overall facility.

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

18 (a) Any direct broadcast satellite television or data transmission
19 service that operates pursuant to 47 Code of Federal Regulations parts 25 and
20 100.

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

23 (i) Over two-thirds of the transmissions, measured in megabytes,
24 transmitted by the facility during the test period were transmitted to or on
25 behalf of one or more direct broadcast satellite television or data
26 transmission services that operate pursuant to 47 Code of Federal Regulations
27 parts 25 and 100.

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

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

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

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

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

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

26 19. Machinery or equipment, including related structural components,
27 that is employed in connection with manufacturing, processing, fabricating,
28 job printing, refining, mining, natural gas pipelines, metallurgical
29 operations, telecommunications, producing or transmitting electricity or
30 research and development and that is used directly to meet or exceed rules or
31 regulations adopted by the federal energy regulatory commission, the United
32 States environmental protection agency, the United States nuclear regulatory

1 commission, the Arizona department of environmental quality or a political
2 subdivision of this state to prevent, monitor, control or reduce land, water
3 or air pollution.

4 20. Machinery and equipment that are used in the commercial production
5 of livestock, livestock products or agricultural, horticultural, viticultural
6 or floricultural crops or products in this state and that are used directly
7 and primarily to prevent, monitor, control or reduce air, water or land
8 pollution.

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

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

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

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

23 22. Qualifying equipment that is purchased from and after June 30, 2004
24 through June 30, 2014 by a qualified business under section 41-1516 for
25 harvesting or the initial processing of qualifying forest products removed
26 from qualifying projects as defined in section 41-1516. To qualify for this
27 exemption, the qualified business must obtain and present its certification
28 from the department of commerce at the time of purchase.

29 23. Machinery, equipment and other tangible personal property used
30 directly in motion picture production by a motion picture production company.
31 To qualify for this exemption, at the time of purchase, the motion picture
32 production company must present to the retailer its certificate that is

1 issued pursuant to section 42-5009, subsection H and that establishes its
2 qualification for the exemption.

3 C. The exemptions provided by subsection B of this section do not
4 include:

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

9 2. Janitorial equipment and hand tools.

10 3. Office equipment, furniture and supplies.

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

14 5. Motor vehicles required to be licensed by this state, except buses
15 or other urban mass transit vehicles specifically exempted pursuant to
16 subsection B, paragraph 11 of this section, without regard to the use of such
17 motor vehicles.

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

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

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

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

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

1 E. The tax levied by this article does not apply to:

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

8 2. The purchase of electricity by a qualified environmental technology
9 manufacturer, producer or processor as defined in section 41-1514.02 that is
10 used directly in environmental technology manufacturing, producing or
11 processing. This paragraph shall apply for fifteen full consecutive calendar
12 or fiscal years from the date the first paper manufacturing machine is placed
13 in service. In the case of an environmental technology manufacturer,
14 producer or processor who does not manufacture paper, the time period shall
15 begin with the date the first manufacturing, processing or production
16 equipment is placed in service.

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

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

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

29 G. For the purposes of subsection B of this section:

30 1. "Aircraft" includes:

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

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

7 2. "Other accessories and related equipment" includes aircraft
8 accessories and equipment such as ground service equipment that physically
9 contact aircraft at some point during the overall carrier operation.

10 H. For the purposes of subsection D of this section, "ancillary
11 services", "electric distribution service", "electric generation service",
12 "electric transmission service" and "other services" have the same meanings
13 prescribed in section 42-5063.

14 50. SOFTWARE ELECTRONIC MEDIA, DIGITAL MEDIA OR APPLICATION SERVICES
15 THAT ARE DESIGNED TO ASSESS, PROMOTE OR TEST STUDENT LEARNING PURCHASED BY OR
16 FOR ANY SCHOOL DISTRICT, CHARTER SCHOOL, COMMUNITY COLLEGE OR STATE
17 UNIVERSITY. FOR PURPOSES OF THIS PARAGRAPH, "APPLICATION SERVICES" MEANS
18 SOFTWARE APPLICATIONS PROVIDED REMOTELY USING HYPERTEXT TRANSFER PROTOCOL OR
19 ANOTHER NETWORK PROTOCOL."

20 Renumber to conform

21 Amend title to conform

JIM WARING

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