

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 AND 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           50. SOFTWARE ELECTRONIC MEDIA, DIGITAL MEDIA OR APPLICATION SERVICES  
7 THAT ARE DESIGNED TO ASSESS, PROMOTE OR TEST STUDENT LEARNING PURCHASED BY OR  
8 FOR ANY SCHOOL DISTRICT, CHARTER SCHOOL, COMMUNITY COLLEGE OR STATE  
9 UNIVERSITY. FOR PURPOSES OF THIS PARAGRAPH, "APPLICATION SERVICES" MEANS  
10 SOFTWARE APPLICATIONS PROVIDED REMOTELY USING HYPERTEXT TRANSFER PROTOCOL OR  
11 ANOTHER NETWORK PROTOCOL.

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

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

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

28           3. Tangible personal property sold to persons engaged in business  
29 classified under the telecommunications classification under section 42-5064  
30 and consisting of central office switching equipment, switchboards, private  
31 branch exchange equipment, microwave radio equipment and carrier equipment

1 including optical fiber, coaxial cable and other transmission media which are  
2 components of carrier systems.

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

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

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

14 7. Aircraft, navigational and communication instruments and other  
15 accessories and related equipment sold to:

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

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

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

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

1           10. Machinery or equipment used directly to drill for oil or gas or  
2 used directly in the process of extracting oil or gas from the earth for  
3 commercial purposes.

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

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

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

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

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

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

1 social sciences or psychology, computer software research that is not  
2 included in the definition of research and development, or other  
3 nontechnological activities or technical services.

4 15. Machinery and equipment that are purchased by or on behalf of the  
5 owners of a soundstage complex and primarily used for motion picture,  
6 multimedia or interactive video production in the complex. This paragraph  
7 applies only if the initial construction of the soundstage complex begins  
8 after June 30, 1996 and before January 1, 2002 and the machinery and  
9 equipment are purchased before the expiration of five years after the start  
10 of initial construction. For the purposes of this paragraph:

11 (a) "Motion picture, multimedia or interactive video production"  
12 includes products for theatrical and television release, educational  
13 presentations, electronic retailing, documentaries, music videos, industrial  
14 films, CD-ROM, video game production, commercial advertising and television  
15 episode production and other genres that are introduced through developing  
16 technology.

17 (b) "Soundstage complex" means a facility of multiple stages including  
18 production offices, construction shops and related areas, prop and costume  
19 shops, storage areas, parking for production vehicles and areas that are  
20 leased to businesses that complement the production needs and orientation of  
21 the overall facility.

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

25 (a) Any direct broadcast satellite television or data transmission  
26 service that operates pursuant to 47 Code of Federal Regulations parts 25 and  
27 100.

28 (b) Any satellite television or data transmission facility, if both of  
29 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 on  
32 behalf of one or more direct broadcast satellite television or data

1 transmission services that operate pursuant to 47 Code of Federal Regulations  
2 parts 25 and 100.

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

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

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

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

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

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

1           19. Machinery or equipment, including related structural components,  
2 that is employed in connection with manufacturing, processing, fabricating,  
3 job printing, refining, mining, natural gas pipelines, metallurgical  
4 operations, telecommunications, producing or transmitting electricity or  
5 research and development and that is used directly to meet or exceed rules or  
6 regulations adopted by the federal energy regulatory commission, the United  
7 States environmental protection agency, the United States nuclear regulatory  
8 commission, the Arizona department of environmental quality or a political  
9 subdivision of this state to prevent, monitor, control or reduce land, water  
10 or air pollution.

11           20. Machinery and equipment that are used in the commercial production  
12 of livestock, livestock products or agricultural, horticultural, viticultural  
13 or floricultural crops or products in this state and that are used directly  
14 and primarily to prevent, monitor, control or reduce air, water or land  
15 pollution.

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

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

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

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

30           22. Qualifying equipment that is purchased from and after June 30, 2004  
31 through June 30, 2014 by a qualified business under section 41-1516 for  
32 harvesting or the initial processing of qualifying forest products removed



1 from qualifying projects as defined in section 41-1516. To qualify for this  
2 exemption, the qualified business must obtain and present its certification  
3 from the department of commerce at the time of purchase.

4 23. Machinery, equipment and other tangible personal property used  
5 directly in motion picture production by a motion picture production company.  
6 To qualify for this exemption, at the time of purchase, the motion picture  
7 production company must present to the retailer its certificate that is  
8 issued pursuant to section 42-5009, subsection H and that establishes its  
9 qualification for the exemption.

10 C. The exemptions provided by subsection B of this section do not  
11 include:

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

16 2. Janitorial equipment and hand tools.

17 3. Office equipment, furniture and supplies.

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

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

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

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

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

30 1. Revenues received from sales of ancillary services, electric  
31 distribution services, electric generation services, electric transmission  
32 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 state.

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

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

9 1. The storage, use or consumption in Arizona of machinery, equipment,  
10 materials or other tangible personal property if used directly and  
11 predominantly to construct a qualified environmental technology  
12 manufacturing, producing or processing facility, as described in section  
13 41-1514.02. This paragraph applies for ten full consecutive calendar or  
14 fiscal years after the start of initial construction.

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

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

26 1. Fees charged by a municipally owned utility to persons constructing  
27 residential, commercial or industrial developments or connecting residential,  
28 commercial or industrial developments to a municipal utility system or  
29 systems if the fees are segregated and used only for capital expansion,  
30 system enlargement or debt service of the utility system or systems.

31 2. Reimbursement or contribution compensation to any person or persons  
32 owning a utility system for property and equipment installed to provide

1 utility access to, on or across the land of an actual utility consumer if the  
2 property and equipment become the property of the utility. This deduction  
3 shall not exceed the value of such property and equipment.

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

5 1. "Aircraft" includes:

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

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

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

15 H. For the purposes of subsection D of this section, "ancillary  
16 services", "electric distribution service", "electric generation service",  
17 "electric transmission service" and "other services" have the same meanings  
18 prescribed in section 42-5063."

19 Renumber to conform

20 Amend title to conform

JIM WARING

2/5/08  
5:11 PM  
S: TB/ac