

PROPOSED AMENDMENT
SENATE AMENDMENTS TO S.B. 1174
(Reference to printed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Section 28-8322, Arizona Revised Statutes, is amended to
3 read:

4 28-8322. Registration; exceptions

5 A. Aircraft based in this state shall be registered with the
6 department.

7 B. A person or governmental entity shall register an aircraft by
8 applying to the department on a form provided by the department within sixty
9 days after the aircraft is ~~brought into~~ **BASED IN** this state. A person who
10 registers an aircraft shall renew the registration annually for each calendar
11 year on or before the last day of February **IF THAT AIRCRAFT WILL BE BASED IN**
12 **THIS STATE DURING THE NEXT CALENDAR YEAR. FOR THE PURPOSES OF THIS**
13 **SUBSECTION:**

14 1. **"BASED" MEANS AN AIRCRAFT IS LOCATED IN THIS STATE FOR AT LEAST**
15 **NINETY CONSECUTIVE DAYS OR AT LEAST NINETY CUMULATIVE DAYS WITHIN A CALENDAR**
16 **YEAR. FOR THE PURPOSES OF THIS PARAGRAPH, A DAY IS CALCULATED BASED ON EACH**
17 **TWELVE CONSECUTIVE HOURS WITHIN A CALENDAR DAY THAT THE AIRCRAFT IS PARKED AT**
18 **AN AIRPORT, A HELIPORT OR A SEAPORT.**

19 2. **"PARKED" MEANS THE TIME THAT AN AIRCRAFT SPENDS ON THE GROUND**
20 **WITHOUT ANY OF THE AIRCRAFT'S POWER PLANTS OPERATING.**

21 C. The department shall not issue a registration certificate for an
22 aircraft to a person who is subject to the use tax paid pursuant to title 42,
23 chapter 5, article 4 unless the applicable tax has been paid as shown by a
24 receipt from the collecting officer.

1 D. Subsections A and B OF THIS SECTION do not apply to aircraft that
2 is:

3 1. Operated by an airline company and regularly scheduled for the
4 primary purpose of carrying persons or property for hire in interstate,
5 intrastate or international transportation.

6 2. Owned by a nonresident who bases the aircraft in this state for a
7 period of not more than ninety consecutive days or ninety days in any one
8 calendar year, if the aircraft is not engaged in intrastate commercial
9 activity.

10 E. Aircraft, except aircraft included in subsection D, paragraph 1 OF
11 THIS SECTION, entering the THIS state to engage in intrastate commercial
12 operations shall be registered before commencing these operations.

13 Sec. 2. Section 28-8325, Arizona Revised Statutes, is amended to read:

14 28-8325. Registration fee; certificate

15 ~~A.~~ On payment of a registration fee of five dollars, the license tax
16 and the penalty, if any, the department shall issue a certificate ~~and license~~
17 ~~decal.~~

18 ~~B. The license decal shall be displayed on the aircraft at all times~~
19 ~~in the manner prescribed by the department.~~

20 ~~C. On satisfactory proof of the loss or destruction of the license~~
21 ~~decal, the department shall issue a duplicate of the license decal to the~~
22 ~~owner on payment of a four dollar fee.~~

23 Sec. 3. Section 28-8335, Arizona Revised Statutes, is amended to read:

24 28-8335. License tax; tax rate

25 A. An annual license tax is imposed on all aircraft based in this
26 state and required to be registered pursuant to this article, unless an
27 exemption for the aircraft is established pursuant to this article. The
28 license tax is payable to the department on initial registration and annually
29 on or before the last day of February.

30 B. Except as provided in sections ~~28-8336 through 28-8341~~ 28-8337,
31 28-8338, 28-8339 AND 28-8340, the department shall determine and assess the
32 license tax prescribed by subsection A of this section on the FOLLOWING

1 basis: ~~of one-half per cent of the average fair market value of the~~
2 ~~particular make, model and year of aircraft. The tax assessed under this~~
3 ~~subsection shall not be less than twenty dollars for a full year of~~
4 ~~registration.~~

5 1. FOR A SINGLE-ENGINE RECIPROCATING OR DIESEL-POWERED AIRCRAFT, TWO
6 HUNDRED FIFTY DOLLARS.

7 2. FOR A SINGLE-ENGINE TURBOPROP-POWERED AIRCRAFT, SEVEN HUNDRED FIFTY
8 DOLLARS.

9 3. FOR A SINGLE-ENGINE TURBINE-POWERED AIRCRAFT, ONE THOUSAND FIVE
10 HUNDRED DOLLARS.

11 4. FOR A MULTI-ENGINE RECIPROCATING OR DIESEL-POWERED AIRCRAFT, FIVE
12 HUNDRED DOLLARS.

13 5. FOR A MULTI-ENGINE TURBOPROP-POWERED AIRCRAFT, ONE THOUSAND FIVE
14 HUNDRED DOLLARS.

15 6. FOR A MULTI-ENGINE TURBINE-POWERED AIRCRAFT, THREE THOUSAND
16 DOLLARS.

17 Sec. 4. Repeal

18 Section 28-8336, Arizona Revised Statutes, is repealed.

19 Sec. 5. Section 28-8337, Arizona Revised Statutes, is amended to read:

20 28-8337. Stored or repaired aircraft; license tax rate

21 A. The annual license tax for aircraft that is in storage or that is
22 being repaired is ~~twenty~~ FIFTY dollars for each aircraft, ~~except for an~~
23 ~~aircraft taxed under section 28-8341.~~

24 B. To qualify for the tax under this section, the aircraft owner shall
25 annually file a sworn affidavit on a form provided by the department with the
26 department not later than the last day of February or within sixty days after
27 the aircraft is placed in storage or under repair on entry into this state.

28 C. The owner of an aircraft that is subject to the tax under this
29 section shall notify the department within ten days of the date the aircraft
30 is returned to use and shall pay the appropriate license tax, if any,
31 prorated on the basis of one-twelfth for each month remaining in the calendar
32 year beginning with the first month the aircraft is restored to use.

1 Sec. 6. Section 28-8338, Arizona Revised Statutes, is amended to read:

2 28-8338. Salvage aircraft; license tax rate; definition

3 A. The annual license tax for a salvage aircraft that is in storage or
4 that is being restored is ~~five~~ TWENTY dollars for each aircraft, and the tax
5 shall not be prorated.

6 B. To qualify for the tax under this section, the salvage aircraft
7 owner shall annually file a sworn affidavit on a form provided by the
8 department with the department not later than the last day of February or
9 within sixty days after the aircraft is placed in storage or under
10 restoration on entry into this state.

11 C. The salvage aircraft owner who is subject to the tax under this
12 section shall notify the department within ten days of the date the aircraft
13 is returned to use and shall pay the appropriate license tax, if any,
14 prorated on the basis of one-twelfth for each month remaining in the calendar
15 year beginning with the first month the aircraft is returned to use.

16 D. For the purposes of this section, "salvage aircraft" means an
17 aircraft that is being restored and that is not meant to be flown.

18 Sec. 7. Section 28-8339, Arizona Revised Statutes, is amended to read:

19 28-8339. Special aircraft; license tax rate; definitions

20 A. The annual license tax for an antique, classic, warbird, glider,
21 experimental, homebuilt or balloon aircraft is ~~twenty~~ FIFTY dollars for each
22 aircraft.

23 B. To qualify for the tax under this section, the aircraft owner shall
24 annually apply on a form provided by the department to the department not
25 later than the last day of February or within sixty days after entry into
26 this state.

27 C. For the purposes of this section:

28 1. "Antique aircraft" means an aircraft that has a year of original
29 manufacture and federal certification that is fifty years old or older.

2. "Balloon" means either:

(a) An aircraft that is a flexible, nonporous bag inflated with a gas lighter than air.

(b) A hot air balloon.

3. "Classic aircraft" means an aircraft that has a year of original manufacture and federal certification that is at least forty years old but not more than forty-nine years old.

4. "Experimental aircraft" means an aircraft that is designated as experimental on its federal aviation administration airworthiness certificate.

5. "Glider aircraft" means a light, engineless aircraft that is designed to glide after being towed aloft or launched from a catapult.

6. "Homebuilt aircraft" means an aircraft that is constructed primarily by an individual for the individual's personal use excluding an aircraft that is constructed primarily by a for profit aircraft manufacturing business.

7. "Warbird aircraft" means an aircraft that is built before January 1, 1948 expressly for the purpose of military service.

Sec. 8. Repeal

Sections 28-8341 and 28-8342, Arizona Revised Statutes, are repealed.

Sec. 9. Section 28-8345, Arizona Revised Statutes, is amended to read:

28-8345. Registration fees; penalties; taxes; distribution

A. Monies received ~~from the registration fees collected~~ pursuant to this article shall be deposited, pursuant to sections 35-146 and 35-147, in the state aviation fund~~—~~, EXCEPT THAT monies received from civil penalties collected pursuant to ~~this article~~ SECTION 28-8347 shall be deposited, pursuant to sections 35-146 and 35-147, in the state general fund.

B. Not later than the fifteenth day of each month, the department shall transmit monies received from the taxes imposed under this article to the state treasurer who shall deposit the monies in the state aviation fund for use in the construction, development and improvement of airports.

1 Sec. 10. Section 42-5061, Arizona Revised Statutes, as amended by Laws
2 2013, first regular session, chapter 120, section 1 and chapter 233, section
3 1 and Laws 2013, first special session, chapter 9, section 5, is amended to
4 read:

5 42-5061. Retail classification: definitions

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

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

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

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

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

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

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

28 7. The sale of stocks and bonds.

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

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

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

5 11. Prescription eyeglasses or contact lenses.

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

7 13. Durable medical equipment ~~which~~ **THAT** has a centers for medicare and
8 medicaid services common procedure code, is designated reimbursable by
9 medicare, is prescribed by a person who is licensed under title 32, chapter
10 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is primarily and
11 customarily used to serve a medical purpose, is generally not useful to a
12 person in the absence of illness or injury and is appropriate for use in the
13 home.

14 14. Sales **OF MOTOR VEHICLES** to nonresidents of this state for use
15 outside this state if the ~~vendor~~ **MOTOR VEHICLE DEALER** ships or delivers the
16 ~~tangible personal property~~ **MOTOR VEHICLE TO A DESTINATION** out of this state.

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

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

24 17. Textbooks by any bookstore that are required by any state
25 university or community college.

26 18. Food and drink to a person ~~who~~ **THAT** is engaged in **A** business that
27 is classified under the restaurant classification and that provides such food
28 and drink without monetary charge to its employees for their own consumption
29 on the premises during the employees' hours of employment.

30 19. Articles of food, drink or condiment and accessory tangible
31 personal property to a school district or charter school if such articles and
32 accessory tangible personal property are to be prepared and served to persons

1 for consumption on the premises of a public school within the district or on
2 the premises of the charter school during school hours.

3 20. Lottery tickets or shares pursuant to title 5, chapter 5.1, article
4 1.

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

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

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

25 (ii) Prepaid calling cards or prepaid authorization numbers for
26 telecommunications services made taxable by subsection Q of this section.

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

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

4 22. Motor vehicle fuel and use fuel that are subject to a tax imposed
5 under title 28, chapter 16, article 1, sales of use fuel to a holder of a
6 valid single trip use fuel tax permit issued under section 28-5739, sales of
7 aviation fuel that are subject to the tax imposed under section 28-8344 and
8 sales of jet fuel that are subject to the tax imposed under article 8 of this
9 chapter.

10 23. Tangible personal property sold to a person engaged in the business
11 of leasing or renting such property under the personal property rental
12 classification if such property is to be leased or rented by such person.

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

16 25. Tangible personal property sold to:

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

18 (b) A qualifying health care organization as defined in section
19 42-5001 if the tangible personal property is used by the organization solely
20 to provide health and medical related educational and charitable services.

21 (c) A qualifying health care organization as defined in section
22 42-5001 if the organization is dedicated to providing educational,
23 therapeutic, rehabilitative and family medical education training for blind,
24 visually impaired and multihandicapped children from the time of birth to age
25 twenty-one.

26 (d) A qualifying community health center as defined in section
27 42-5001.

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

31 (f) For taxable periods beginning from and after June 30, 2001, a
32 nonprofit charitable organization that has qualified under section 501(c)(3)

1 of the internal revenue code and that provides residential apartment housing
2 for low income persons over sixty-two years of age in a facility that
3 qualifies for a federal housing subsidy, if the tangible personal property is
4 used by the organization solely to provide residential apartment housing for
5 low income persons over sixty-two years of age in a facility that qualifies
6 for a federal housing subsidy.

7 26. Magazines or other periodicals or other publications by this state
8 to encourage tourist travel.

9 27. Tangible personal property sold to a person that is subject to tax
10 under this article by reason of being engaged in business classified under
11 the prime contracting classification under section 42-5075, ~~or~~ or to a
12 subcontractor working under the control of a prime contractor that is subject
13 to tax under article 1 of this chapter, if the property so sold is any of the
14 following:

15 (a) Incorporated or fabricated by the person into any real property,
16 structure, project, development or improvement as part of the business.

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

19 28. The sale of a motor vehicle to:

20 (a) A nonresident of this state if the purchaser's state of residence
21 does not allow a corresponding use tax exemption to the tax imposed by
22 article 1 of this chapter and if the nonresident has secured a special ninety
23 day nonresident registration permit for the vehicle as prescribed by sections
24 28-2154 and 28-2154.01.

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

27 29. Tangible personal property purchased in this state by a nonprofit
28 charitable organization that has qualified under section 501(c)(3) of the
29 United States internal revenue code and that engages in and uses such
30 property exclusively in programs for mentally or physically handicapped
31 persons if the programs are exclusively for training, job placement,
32 rehabilitation or testing.

1 30. Sales of tangible personal property by a nonprofit organization
2 that is exempt from taxation under section 501(c)(3), 501(c)(4) or 501(c)(6)
3 of the internal revenue code if the organization is associated with a major
4 league baseball team or a national touring professional golfing association
5 and no part of the organization's net earnings inures to the benefit of any
6 private shareholder or individual.

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

12 32. Sales of tangible personal property by a nonprofit organization
13 that is exempt from taxation under section 501(c)(3), 501(c)(4), 501(c)(6),
14 501(c)(7) or 501(c)(8) of the internal revenue code if the organization
15 sponsors or operates a rodeo featuring primarily farm and ranch animals and
16 no part of the organization's net earnings inures to the benefit of any
17 private shareholder or individual.

18 33. Sales of seeds, seedlings, roots, bulbs, cuttings and other
19 propagative material to persons who use those items to commercially produce
20 agricultural, horticultural, viticultural or floricultural crops in this
21 state.

22 34. Machinery, equipment, technology or related supplies that are only
23 useful to assist a person who is physically disabled as defined in section
24 46-191, has a developmental disability as defined in section 36-551 or has a
25 head injury as defined in section 41-3201 to be more independent and
26 functional.

27 ~~35. Sales of tangible personal property that is shipped or delivered~~
28 ~~directly to a destination outside the United States for use in that foreign~~
29 ~~country.~~

30 ~~36.~~ 35. Sales of natural gas or liquefied petroleum gas used to propel
31 a motor vehicle.

1 ~~37-~~ 36. Paper machine clothing, such as forming fabrics and dryer
2 felts, sold to a paper manufacturer and directly used or consumed in paper
3 manufacturing.

4 ~~38-~~ 37. Coal, petroleum, coke, natural gas, virgin fuel oil and
5 electricity sold to a qualified environmental technology manufacturer,
6 producer or processor as defined in section 41-1514.02 and directly used or
7 consumed in the generation or provision of on-site power or energy solely for
8 environmental technology manufacturing, producing or processing or
9 environmental protection. This paragraph shall apply for twenty full
10 consecutive calendar or fiscal years from the date the first paper
11 manufacturing machine is placed in service. In the case of an environmental
12 technology manufacturer, producer or processor who does not manufacture
13 paper, the time period shall begin with the date the first manufacturing,
14 processing or production equipment is placed in service.

15 ~~39-~~ 38. Sales of liquid, solid or gaseous chemicals used in
16 manufacturing, processing, fabricating, mining, refining, metallurgical
17 operations, research and development and, beginning on January 1, 1999,
18 printing, if using or consuming the chemicals, alone or as part of an
19 integrated system of chemicals, involves direct contact with the materials
20 from which the product is produced for the purpose of causing or permitting a
21 chemical or physical change to occur in the materials as part of the
22 production process. This paragraph does not include chemicals that are used
23 or consumed in activities such as packaging, storage or transportation but
24 does not affect any deduction for such chemicals that is otherwise provided
25 by this section. For the purposes of this paragraph, "printing" means a
26 commercial printing operation and includes job printing, engraving,
27 embossing, copying and bookbinding.

28 ~~40-~~ 39. Through December 31, 1994, personal property liquidation
29 transactions, conducted by a personal property liquidator. From and after
30 December 31, 1994, personal property liquidation transactions shall be
31 taxable under this section provided that nothing in this subsection shall be

1 construed to authorize the taxation of casual activities or transactions
2 under this chapter. For the purposes of this paragraph:

3 (a) "Personal property liquidation transaction" means a sale of
4 personal property made by a personal property liquidator acting solely on
5 behalf of the owner of the personal property sold at the dwelling of the
6 owner or on the death of any owner, on behalf of the surviving spouse, if
7 any, any devisee or heir or the personal representative of the estate of the
8 deceased, if one has been appointed.

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

11 ~~41.~~ 40. Sales of food, drink and condiment for consumption within the
12 premises of any prison, jail or other institution under the jurisdiction of
13 the state department of corrections, the department of public safety, the
14 department of juvenile corrections or a county sheriff.

15 ~~42.~~ 41. A motor vehicle and any repair and replacement parts and
16 tangible personal property becoming a part of such motor vehicle sold to a
17 motor carrier who is subject to a fee prescribed in title 28, chapter 16,
18 article 4 and who is engaged in the business of leasing or renting such
19 property.

20 ~~43.~~ 42. Livestock and poultry feed, salts, vitamins and other
21 additives for livestock or poultry consumption that are sold to persons who
22 are engaged in producing livestock, poultry, or livestock or poultry products
23 or who are engaged in feeding livestock or poultry commercially. For the
24 purposes of this paragraph, "poultry" includes ratites.

25 ~~44.~~ 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 in
28 producing livestock, poultry, or livestock or poultry products or who are
29 engaged in feeding livestock or poultry commercially. For the purposes of
30 this paragraph, "poultry" includes ratites.

31 ~~45.~~ 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 out

1 of this state, regardless of where title to the motor vehicles passes or its
2 free on board point.

3 ~~46.~~ 45. Tangible personal property sold to a person engaged in
4 business and subject to tax under the transient lodging classification if the
5 tangible personal property is a personal hygiene item or articles used by
6 human beings for food, drink or condiment, except alcoholic beverages, that
7 are furnished without additional charge to and intended to be consumed by the
8 transient during the transient's occupancy.

9 ~~47.~~ 46. Sales of alternative fuel, as defined in section 1-215, to a
10 used oil fuel burner who has received a permit to burn used oil or used oil
11 fuel under section 49-426 or 49-480.

12 ~~48.~~ 47. Sales of materials that are purchased by or for publicly
13 funded libraries, including school district libraries, charter school
14 libraries, community college libraries, state university libraries or
15 federal, state, county or municipal libraries for use by the public as
16 follows:

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

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

19 ~~49.~~ 48. Tangible personal property sold to a commercial airline and
20 consisting of food, beverages and condiments and accessories used for serving
21 the food and beverages, if those items are to be provided without additional
22 charge to passengers for consumption in flight. For the purposes of this
23 paragraph, "commercial airline" means a person holding a federal certificate
24 of public convenience and necessity or foreign air carrier permit for air
25 transportation to transport persons, property or United States mail in
26 intrastate, interstate or foreign commerce.

27 ~~50.~~ 49. Sales of alternative fuel vehicles if the vehicle was
28 manufactured as a diesel fuel vehicle and converted to operate on alternative
29 fuel and equipment that is installed in a conventional diesel fuel motor
30 vehicle to convert the vehicle to operate on an alternative fuel, as defined
31 in section 1-215.

1 ~~51.~~ 50. Sales of any spirituous, vinous or malt liquor by a person
2 that is licensed in this state as a wholesaler by the department of liquor
3 licenses and control pursuant to title 4, chapter 2, article 1.

4 ~~52.~~ 51. Sales of tangible personal property to be incorporated or
5 installed as part of environmental response or remediation activities under
6 section 42-5075, subsection B, paragraph 6.

7 ~~53.~~ 52. Sales of tangible personal property by a nonprofit
8 organization that is exempt from taxation under section 501(c)(6) of the
9 internal revenue code if the organization produces, organizes or promotes
10 cultural or civic related festivals or events and no part of the
11 organization's net earnings inures to the benefit of any private shareholder
12 or individual.

13 ~~54.~~ 53. Through August 31, 2014, sales of Arizona centennial
14 medallions by the historical advisory commission.

15 ~~55.~~ 54. Application services that are designed to assess or test
16 student learning or to promote curriculum design or enhancement purchased by
17 or for any school district, charter school, community college or state
18 university. For the purposes of this paragraph:

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

21 (b) "Curriculum design or enhancement" means planning, implementing or
22 reporting on courses of study, lessons, assignments or other learning
23 activities.

24 ~~56.~~ 55. Sales of motor vehicle fuel and use fuel to a qualified
25 business under section 41-1516 for off-road use in harvesting, processing or
26 transporting qualifying forest products removed from qualifying projects as
27 defined in section 41-1516.

28 ~~57.~~ 56. Sales of repair parts installed in equipment used directly by
29 a qualified business under section 41-1516 in harvesting, processing or
30 transporting qualifying forest products removed from qualifying projects as
31 defined in section 41-1516.

1 ~~58.~~ 57. Sales or other transfers of renewable energy credits or any
2 other unit created to track energy derived from renewable energy resources.
3 For the purposes of this paragraph, "renewable energy credit" means a unit
4 created administratively by the corporation commission or governing body of a
5 public power utility to track kilowatt hours of electricity derived from a
6 renewable energy resource or the kilowatt hour equivalent of conventional
7 energy resources displaced by distributed renewable energy resources.

8 ~~59.~~ 58. Computer data center equipment purchased by the owner,
9 operator or qualified colocation tenant of the computer data center or an
10 authorized agent of the owner, operator or qualified colocation tenant during
11 the qualification period for use in a computer data center that is certified
12 by the Arizona commerce authority under section 41-1519. To qualify for this
13 deduction, at the time of purchase, the owner, operator or qualified
14 colocation tenant must present to the retailer its certificate that is issued
15 pursuant to section 41-1519 and that establishes its qualification for the
16 deduction. For the purposes of this paragraph, "computer data center",
17 "computer data center equipment", "qualification period" and "qualified
18 colocation tenant" have the same meanings prescribed in section 41-1519.

19 ~~60.~~ 59. Orthodontic devices dispensed by a dental professional who is
20 licensed under title 32, chapter 11 to a patient as part of the practice of
21 dentistry.

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

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

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

7 3. Tangible personal property sold to persons engaged in business
8 classified under the telecommunications classification and consisting of
9 central office switching equipment, switchboards, private branch exchange
10 equipment, microwave radio equipment and carrier equipment, including optical
11 fiber, coaxial cable and other transmission media ~~which~~ THAT are components
12 of carrier systems.

13 4. Machinery, equipment or transmission lines used directly in
14 producing or transmitting electrical power, but not including distribution.
15 Transformers and control equipment used at transmission substation sites
16 constitute equipment used in producing or transmitting electrical power.

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

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

24 7. Aircraft, navigational and communication instruments and other
25 accessories and related equipment. ~~sold to:~~

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

32 ~~(b) Any foreign government.~~

1 ~~(c) Persons who are not residents of this state and who will not use~~
2 ~~such property in this state other than in removing such property from this~~
3 ~~state. This subdivision also applies to corporations that are not~~
4 ~~incorporated in this state, regardless of maintaining a place of business in~~
5 ~~this state, if the principal corporate office is located outside this state~~
6 ~~and the property will not be used in this state other than in removing the~~
7 ~~property from this state.~~

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

12 9. Railroad rolling stock, rails, ties and signal control equipment
13 used directly to transport persons or property.

14 10. Machinery or equipment used directly to drill for oil or gas or
15 used directly in the process of extracting oil or gas from the earth for
16 commercial purposes.

17 11. Buses or other urban mass transit vehicles ~~which~~ THAT are used
18 directly to transport persons or property for hire or pursuant to a
19 governmentally adopted and controlled urban mass transportation program and
20 ~~which~~ THAT are sold to bus companies holding a federal certificate of
21 convenience and necessity or operated by any city, town or other governmental
22 entity or by any person contracting with such governmental entity as part of
23 a governmentally adopted and controlled program to provide urban mass
24 transportation.

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

26 13. New machinery and equipment consisting of tractors, tractor-drawn
27 implements, self-powered implements, machinery and equipment necessary for
28 extracting milk, and machinery and equipment necessary for cooling milk and
29 livestock, and drip irrigation lines not already exempt under paragraph 6 of
30 this subsection and that are used for commercial production of agricultural,
31 horticultural, viticultural and floricultural crops and products in this
32 state. For the purposes of this paragraph:

1 (a) "New machinery and equipment" means machinery and equipment that
2 have never been sold at retail except pursuant to leases or rentals ~~which~~
3 ~~THAT~~ do not total two years or more.

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

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

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

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

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

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

30 (ii) Over two-thirds of the transmissions, measured in megabytes,
31 transmitted by or on behalf of those direct broadcast television or data

1 transmission services during the test period were transmitted by the facility
2 to or on behalf of those services.

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

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

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

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

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

28 18. Machinery or equipment, including related structural components,
29 that is employed in connection with manufacturing, processing, fabricating,
30 job printing, refining, mining, natural gas pipelines, metallurgical
31 operations, telecommunications, producing or transmitting electricity or
32 research and development and that is used directly to meet or exceed rules or

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

6 19. Machinery and equipment that are sold to a person engaged in the
7 commercial production of livestock, livestock products or agricultural,
8 horticultural, viticultural or floricultural crops or products in this state
9 and that are used directly and primarily to prevent, monitor, control or
10 reduce air, water or land pollution.

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

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

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

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

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

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

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

7 2. Janitorial equipment and hand tools.

8 3. Office equipment, furniture and supplies.

9 4. Tangible personal property used in selling or distributing
10 activities, other than the telecommunications transmissions described in
11 subsection B, paragraph 15 of this section.

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

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

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

19 8. MACHINERY AND EQUIPMENT OR OTHER TANGIBLE PERSONAL PROPERTY USED BY
20 A CONTRACTOR IN THE PERFORMANCE OF A CONTRACT.

21 D. In addition to the deductions from the tax base prescribed by
22 subsection A of this section, there shall be deducted from the tax base the
23 gross proceeds of sales or gross income derived from sales of machinery,
24 equipment, materials and other tangible personal property used directly and
25 predominantly to construct a qualified environmental technology
26 manufacturing, producing or processing facility as described in section
27 41-1514.02. This subsection applies for ten full consecutive calendar or
28 fiscal years after the start of initial construction.

29 E. In computing the tax base, gross proceeds of sales or gross income
30 from retail sales of heavy trucks and trailers does not include any amount
31 attributable to federal excise taxes imposed by 26 United States Code section
32 4051.

1 F. In computing the tax base, gross proceeds of sales or gross income
2 from the sale of use fuel, as defined in section 28-5601, does not include
3 any amount attributable to federal excise taxes imposed by 26 United States
4 Code section 4091.

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

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

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

- 25 1. Transporting classification.
- 26 2. Utilities classification.
- 27 3. Telecommunications classification.
- 28 4. Pipeline classification.
- 29 5. Private car line classification.
- 30 6. Publication classification.
- 31 7. Job printing classification.
- 32 8. Prime contracting classification.

~~9. Owner builder sales classification.~~

~~10.~~ 9. Restaurant classification.

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

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

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

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

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

K. There shall be deducted from the tax base fifty per cent of the gross proceeds or gross income from any sale of tangible personal property made directly to the United States government or its departments or agencies, ~~which~~ THAT is not deducted under subsection J of this section.

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

1 M. In computing the tax base, gross proceeds of sales or gross income
2 does not include:

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

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

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

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

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

23 Q. Retail sales of prepaid calling cards or prepaid authorization
24 numbers for telecommunications services, including sales of reauthorization
25 of a prepaid card or authorization number, are subject to tax under this
26 section.

27 R. For the purposes of this section, the diversion of gas from a
28 pipeline by a person engaged in the business of:

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

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

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

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

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

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

27 U. In computing the tax base for the sale of a motor vehicle to a
28 nonresident of this state, if the purchaser's state of residence allows a
29 corresponding use tax exemption to the tax imposed by article 1 of this
30 chapter and the rate of the tax in the purchaser's state of residence is
31 lower than the rate prescribed in article 1 of this chapter or if the
32 purchaser's state of residence does not impose an excise tax, and the

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

7 V. For the purposes of this section:

8 1. "Aircraft" includes:

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

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

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

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

23 W. For the purposes of subsection J of this section:

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

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

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

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

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

10 6. "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. **FOR THE**
19 **PURPOSES OF THIS PARAGRAPH, "CONTRACTOR" HAS ITS ORDINARY AND COMMON MEANING**
20 **AND DOES NOT HAVE THE MEANING PRESCRIBED BY SECTION 42-5001.**

21 Sec. 11. Repeal

22 Section **42-5061**, Arizona Revised Statutes, as amended by Laws 2013,
23 chapter 255, section 13, is repealed.

24 Sec. 12. Section 42-5062, Arizona Revised Statutes, is amended to
25 read:

26 **42-5062. Transporting classification**

27 A. The transporting classification is comprised of the business of
28 transporting for hire persons, freight or property by motor vehicle,
29 railroads or aircraft from one point to another point in this state. The
30 transporting classification does not include:

1 1. Transporting for hire persons, freight or property by motor
2 carriers subject to a fee prescribed in title 28, chapter 16, article 4 or by
3 light motor vehicles subject to a fee under title 28, chapter 15, article 4.

4 2. The business of transporting for hire persons traveling in air
5 commerce by aircraft ~~if taxation of the business is preempted by federal law.~~

6 3. Ambulances or ambulance services provided under title 48 or
7 certified pursuant to title 36, chapter 21.1 or provided by a city or town in
8 a county with a population of less than one hundred fifty thousand persons ~~as~~
9 ~~determined in the most recent United States decennial census.~~

10 4. Public transportation program services for the dial-a-ride programs
11 and special needs transportation services.

12 5. Transporting freight or property for hire by a railroad operating
13 exclusively in this state if the transportation comprises a portion of a
14 single shipment of freight or property, involving more than one railroad,
15 either from a point in this state to a point outside this state or from a
16 point outside this state to a point in this state. For the purposes of this
17 paragraph, "a single shipment" means the transportation that begins at the
18 point at which one of the railroads first takes possession of the freight or
19 property and continues until the point at which one of the railroads
20 relinquishes possession of the freight or property to a party other than one
21 of the railroads.

22 6. Arranging transportation as a convenience or service to a person's
23 customers if that person is not otherwise engaged in the business of
24 transporting persons, freight or property for hire. This exception does not
25 apply to businesses that dispatch vehicles pursuant to customer orders and
26 send the billings and receive the payments associated with that activity,
27 including when the transportation is performed by third party independent
28 contractors. For the purposes of this paragraph, "arranging" includes
29 billing for or collecting transportation charges from a person's customers on
30 behalf of the persons providing the transportation.

1 B. The tax base for the transporting classification is the gross
2 proceeds of sales or gross income derived from the business, except that the
3 following shall be deducted from the tax base:

4 1. The gross proceeds of sales or gross income derived from
5 transporting for hire persons, freight or property by a railroad pursuant to
6 a contract with another railroad that is also considered to be engaged in the
7 businesses of transporting persons, freight or property for hire if the other
8 railroad is liable for the tax on gross proceeds of sales or gross income
9 attributable to the transportation.

10 2. The gross proceeds of sales or gross income derived from business
11 activity that is properly included in any other business classification under
12 this article and that is taxable to the person engaged in that
13 classification, but the gross proceeds of sales or gross income to be
14 deducted shall not exceed the consideration paid to the person conducting the
15 activity.

16 3. The gross proceeds of sales or gross income derived from a business
17 activity that is arranged by the person who is subject to tax under this
18 section and that is not taxable to the person conducting the activity due to
19 an exclusion, exemption or deduction under this section or section 42-5073,
20 but the gross proceeds of sales or gross income to be deducted shall not
21 exceed the consideration paid to the person conducting the activity.

22 4. The gross proceeds of sales or gross income derived from business
23 activity that is arranged by a person who is subject to tax under this
24 section and that is taxable to another person under this section who conducts
25 the activity, but the gross proceeds of sales or gross income to be deducted
26 shall not exceed the consideration paid to the person conducting the
27 activity.

28 5. The gross proceeds of sales or gross income derived from
29 transporting fertilizer by a railroad from a point in this state to another
30 point in this state.

1 Sec. 13. Section 42-5159, Arizona Revised Statutes, as amended by Laws
2 2013, first special session, chapter 9, section 7, is amended to read:

3 42-5159. Exemptions

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

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

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

16 3. Tangible personal property, the storage, use or consumption of
17 which the constitution or laws of the United States prohibit this state from
18 taxing or to the extent that the rate or imposition of tax is
19 unconstitutional under the laws of the United States.

20 4. Tangible personal property ~~which~~ THAT directly enters into and
21 becomes an ingredient or component part of any manufactured, fabricated or
22 processed article, substance or commodity for sale in the regular course of
23 business.

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

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

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

12 8. Livestock, poultry, supplies, feed, salts, vitamins and other
13 additives for use or consumption in the businesses of farming, ranching and
14 feeding livestock or poultry, not including fertilizers, herbicides and
15 insecticides. For the purposes of this paragraph, "poultry" includes
16 ratites.

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

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

23 11. Advertising supplements ~~which~~ THAT are intended for sale with
24 newspapers published in this state and ~~which~~ THAT have already been subjected
25 to an excise tax under the laws of another state in the United States ~~which~~
26 THAT equals or exceeds the tax imposed by this article.

27 12. Materials that are purchased by or for publicly funded libraries
28 including school district libraries, charter school libraries, community
29 college libraries, state university libraries or federal, state, county or
30 municipal libraries for use by the public as follows:

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

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

1 13. Tangible personal property purchased by:

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

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

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

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

15 (e) A qualifying health care organization as defined in section
16 42-5001 if the organization is dedicated to providing educational,
17 therapeutic, rehabilitative and family medical education training for blind,
18 visually impaired and multihandicapped children from the time of birth to age
19 twenty-one.

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

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

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

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

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

7 (i) A qualifying community health center as defined in section
8 42-5001.

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

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

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

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

1 15. Tangible personal property sold by:

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

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

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

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

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

22 18. Prescription eyeglasses and contact lenses.

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

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

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

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

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

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

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

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

17 27. Lottery tickets or shares purchased pursuant to title 5, chapter
18 5.1, article 1.

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

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

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

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

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

5 32. Motor vehicles that are removed from inventory by a motor vehicle
6 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 only
16 useful to assist a person who is physically disabled as defined in section
17 46-191, has a developmental disability as defined in section 36-551 or has a
18 head injury as defined in section 41-3201 to be more independent and
19 functional.

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

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

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

9 38. Tangible personal property ~~which~~ THAT is or directly enters into
10 and becomes an ingredient or component part of cards used as prescription
11 plan identification cards.

12 39. Overhead materials or other tangible personal property that is used
13 in performing a contract between the United States government and a
14 manufacturer, modifier, assembler or repairer, including property used in
15 performing a subcontract with a government contractor who is a manufacturer,
16 modifier, assembler or repairer, to which title passes to the government
17 under the terms of the contract or subcontract. For the purposes of this
18 paragraph:

19 (a) "Overhead materials" means tangible personal property, the gross
20 proceeds of sales or gross income derived from which would otherwise be
21 included in the retail classification, ~~and which are~~ THAT IS used or consumed
22 in the performance of a contract, the cost of which is charged to an overhead
23 expense account and allocated to various contracts based ~~upon~~ ON generally
24 accepted accounting principles and consistent with government contract
25 accounting standards.

26 (b) "Subcontract" means an agreement between a contractor and any
27 person who is not an employee of the contractor for furnishing of supplies or
28 services that, in whole or in part, are necessary to the performance of one
29 or more government contracts, or under which any portion of the contractor's
30 obligation under one or more government contracts is performed, undertaken or
31 assumed, and that includes provisions causing title to overhead materials or
32 other tangible personal property used in the performance of the subcontract

1 to pass to the government or that includes provisions incorporating such
2 title passing clauses in a government contract into the subcontract.

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

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

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

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

24 44. Alternative fuel vehicles if the vehicle was manufactured as a
25 diesel fuel vehicle and converted to operate on alternative fuel and
26 equipment that is installed in a conventional diesel fuel motor vehicle to
27 convert the vehicle to operate on an alternative fuel, as defined in section
28 1-215.

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

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

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

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

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

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

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

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

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

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

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

5 52. Repair parts installed in equipment used directly by a qualified
6 business under section 41-1516 in harvesting, processing or transporting
7 qualifying forest products removed from qualifying projects as defined in
8 section 41-1516.

9 53. Renewable energy credits or any other unit created to track energy
10 derived from renewable energy resources. For the purposes of this paragraph,
11 "renewable energy credit" means a unit created administratively by the
12 corporation commission or governing body of a public power entity to track
13 kilowatt hours of electricity derived from a renewable energy resource or the
14 kilowatt hour equivalent of conventional energy resources displaced by
15 distributed renewable energy resources.

16 54. Computer data center equipment purchased by the owner, operator or
17 qualified colocation tenant of the computer data center or an authorized
18 agent of the owner, operator or qualified colocation tenant during the
19 qualification period for use in a computer data center that is certified by
20 the Arizona commerce authority under section 41-1519. To qualify for this
21 deduction, at the time of purchase, the owner, operator or qualified
22 colocation tenant must present to the retailer its certificate that is issued
23 pursuant to section 41-1519 and that establishes its qualification for the
24 deduction. For the purposes of this paragraph, "computer data center",
25 "computer data center equipment", "qualification period" and "qualified
26 colocation tenant" have the same meanings prescribed in section 41-1519.

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

30 1. Machinery, or equipment, used directly in manufacturing,
31 processing, fabricating, job printing, refining or metallurgical operations.
32 The terms "manufacturing", "processing", "fabricating", "job printing",

1 "refining" and "metallurgical" as used in this paragraph refer to and include
2 those operations commonly understood within their ordinary meaning.
3 "Metallurgical operations" includes leaching, milling, precipitating,
4 smelting and refining.

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

11 3. Tangible personal property sold to persons engaged in business
12 classified under the telecommunications classification under section 42-5064
13 and consisting of central office switching equipment, switchboards, private
14 branch exchange equipment, microwave radio equipment and carrier equipment
15 including optical fiber, coaxial cable and other transmission media ~~which~~
16 ~~THAT~~ are components of carrier systems.

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

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

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

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

30 ~~(a) A person holding a federal certificate of public convenience and~~
31 ~~necessity, a supplemental air carrier certificate under federal aviation~~
32 ~~regulations (14 Code of Federal Regulations part 121) or a foreign air~~

~~carrier permit for air transportation for use as or in conjunction with or becoming a part of aircraft to be used to transport persons, property or United States mail in intrastate, interstate or foreign commerce.~~

~~(b) Any foreign government, or sold to persons who are not residents of this state and who will not use such property in this state other than in removing such property from this state.~~

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

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

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

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

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

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

1 (a) "New machinery and equipment" means machinery or equipment ~~which~~
2 ~~THAT~~ has never been sold at retail except pursuant to leases or rentals ~~which~~
3 ~~THAT~~ do not total two years or more.

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

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

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

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

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

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

30 (ii) Over two-thirds of the transmissions, measured in megabytes,
31 transmitted by or on behalf of those direct broadcast television or data

1 transmission services during the test period were transmitted by the facility
2 to or on behalf of those services.

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

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

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

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

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

28 18. Machinery or equipment, including related structural components,
29 that is employed in connection with manufacturing, processing, fabricating,
30 job printing, refining, mining, natural gas pipelines, metallurgical
31 operations, telecommunications, producing or transmitting electricity or
32 research and development and that is used directly to meet or exceed rules or

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

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

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

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

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

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

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

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

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

7 2. Janitorial equipment and hand tools.

8 3. Office equipment, furniture and supplies.

9 4. Tangible personal property used in selling or distributing
10 activities, other than the telecommunications transmissions described in
11 subsection B, paragraph 15 of this section.

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

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

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

19 8. MACHINERY AND EQUIPMENT OR TANGIBLE PERSONAL PROPERTY USED BY A
20 CONTRACTOR IN THE PERFORMANCE OF A CONTRACT.

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 the purchase of
2 solar energy devices from a retailer that is registered with the department
3 as a solar energy retailer or a solar energy contractor.

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

6 1. Fees charged by a municipally owned utility to persons constructing
7 residential, commercial or industrial developments or connecting residential,
8 commercial or industrial developments to a municipal utility system or
9 systems if the fees are segregated and used only for capital expansion,
10 system enlargement or debt service of the utility system or systems.

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

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

17 1. "Aircraft" includes:

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

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

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

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

1 Sec. 14. Repeal
2 Section 42-5159, Arizona Revised Statutes, as amended by Laws 2013,
3 chapter 255, section 17, is repealed.
4 Sec. 15. Effective date
5 This act is effective from and after December 31, 2014."
6 Amend title to conform

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