

COMMITTEE ON COMMERCE AND WORKFORCE DEVELOPMENT

SENATE AMENDMENTS TO S.B. 1245

(Reference to printed bill)

1 Strike everything after the enactment clause insert:

2 "Section 1. Section 41-1519, Arizona Revised Statutes, is amended to
3 read:

4 41-1519. Computer data center tax relief: definitions

5 A. From and after August 31, 2013, tax relief is allowed for the owner
6 or operator of a computer data center certified pursuant to this section.
7 The same tax relief is allowed for qualified colocation tenants of the
8 computer data center. All tax relief applies during the qualification
9 period.

10 B. To qualify for the tax relief, the owner or operator shall submit
11 to the authority AN APPLICATION ON a form prescribed by the authority that
12 includes all of the following:

13 1. The owner's or operator's name, address and telephone number.

14 2. The address of the site where the facility is or will be located,
15 including, if applicable, information sufficient to identify the specific
16 portion or portions of the facility composing the computer data center.

17 3. If the computer data center is to qualify under subsection E,
18 paragraph 1 of this section, both of the following:

19 (a) The anticipated investment associated with the computer data
20 center for which the tax relief is being sought and whether the computer data
21 center is anticipated to qualify as a sustainable redevelopment project.

22 (b) An affirmation, signed by an authorized executive representing the
23 owner or operator, that the computer data center is expected to satisfy one
24 of the certification requirements prescribed in subsection E, paragraph 1 of
25 this section and that the computer data center will not violate subsection L
26 of this section.

27 4. If the computer data center is to qualify under subsection E,
28 paragraph 2 of this section, an affirmation, signed by an authorized
29 executive representing the owner or operator, that the computer data center
30 has satisfied the certification requirements prescribed in subsection E,
31 paragraph 2 of this section, whether the computer data center qualifies as a
32 sustainable redevelopment project and that the computer data center will not
33 violate subsection L of this section.

1 C. Within sixty days after receiving a complete and correct ~~form~~
2 APPLICATION, the authority shall review the ~~form~~ APPLICATION and either issue
3 a written certification that the computer data center qualifies for the tax
4 relief or provide written reasons for its denial. Failure to approve or deny
5 the ~~form~~ APPLICATION within sixty days after the date the owner or operator
6 submits the ~~form~~ APPLICATION to the authority constitutes certification of
7 the computer data center, and the authority shall issue written certification
8 to the owner or operator within fourteen days. THE EFFECTIVE DATE OF THE
9 CERTIFICATION IS THE DATE ON WHICH THE APPLICATION WAS SUBMITTED TO THE
10 AUTHORITY. The authority shall send a copy of the certification, INCLUDING
11 ITS EFFECTIVE DATE, to the department of revenue. The authority shall not
12 certify any new computer data center after December 31, 2023.

13 D. An owner or operator may separate a facility into one or more
14 computer data centers, which may each receive a separate certification if
15 each computer data center individually meets the requirements prescribed in
16 subsection E of this section. A portion of a facility or an article of
17 computer data CENTER equipment shall not be deemed to be a part of more than
18 one computer data center. The owner or operator may aggregate one or more of
19 the parcels, buildings, condominiums or modular data centers in a facility
20 into a single computer data center if, in the aggregate, the parcels,
21 buildings, condominiums and modular data centers meet the requirements of
22 subsection E of this section.

23 E. A computer data center must meet one of the following requirements
24 after taking into account the combined investments made by the owner,
25 operator or qualified colocation tenants of a computer data center:

26 1. On or before the fifth anniversary of certification, the computer
27 data center creates a minimum investment of at least:

28 (a) Twenty-five million dollars of new investment, including costs of
29 land, buildings, IMPROVEMENTS, modular data centers and computer data center
30 equipment, if the computer data center is located in a county with a
31 population of eight hundred thousand or less persons.

32 (b) Fifty million dollars of new investment, including costs of land,
33 buildings, IMPROVEMENTS, modular data centers and computer data center
34 equipment, if the computer data center is located in a county with a
35 population of more than eight hundred thousand persons.

36 2. During the seventy-two months immediately before September 1, 2013,
37 the computer data center created an investment of at least two hundred fifty
38 million dollars, including costs of land, buildings, IMPROVEMENTS, modular
39 data centers and computer data center equipment.

40 F. On or before the fifth anniversary of the certification of a new
41 computer data center, the owner or operator shall notify the authority in
42 writing that the computer data center for which the certification is
43 requested has or has not satisfied the requirements prescribed in subsection

1 E, paragraph 1 of this section. Until a new computer data center satisfies
2 the requirements prescribed in subsection E, paragraph 1 of this section, the
3 owner or operator shall keep detailed records of all investment created by
4 the new computer data center, including costs of land, buildings,
5 IMPROVEMENTS, modular data centers and computer data center equipment, and
6 all tax relief directly received by the owner or operator. This subsection
7 ~~and subsection G of this section do~~ DOES not apply to an existing computer
8 data center.

9 ~~G. If the department of revenue determines that the requirements of~~
10 ~~subsection E, paragraph 1 of this section have not been satisfied or that~~
11 ~~there has been a violation of subsection L of this section, the department~~
12 ~~may revoke the certification of a new computer data center and the owner or~~
13 ~~operator may appeal the revocation pursuant to title 42, chapter 1,~~
14 ~~article 6. If certification is revoked pursuant to this subsection, the~~
15 ~~qualification period of any owner, operator or qualified colocation tenant of~~
16 ~~the new computer data center expires and the department may recapture from~~
17 ~~the owner or operator all or part of the tax relief provided directly to the~~
18 ~~owner or operator. The department may give special consideration or allow a~~
19 ~~temporary exemption from recapture of the tax relief if there is~~
20 ~~extraordinary hardship due to factors beyond the control of the owner or~~
21 ~~operator. The department may require the owner or operator to file~~
22 ~~appropriate amended tax returns to reflect any recapture of the tax relief.~~

23 G. IF THE AUTHORITY DETERMINES THAT:

24 1. A NEW COMPUTER DATA CENTER THAT IS QUALIFIED UNDER SUBSECTION E,
25 PARAGRAPH 1 OF THIS SECTION HAS NOT COMPLIED WITH THE REQUIREMENTS AND TIME
26 PERIODS PRESCRIBED BY THAT PARAGRAPH, THE AUTHORITY SHALL REVOKE THE COMPUTER
27 DATA CENTER'S CERTIFICATION. IF THE CERTIFICATION IS REVOKED, THE
28 QUALIFICATION PERIOD OF ANY OWNER, OPERATOR OR QUALIFIED COLOCATION TENANT OF
29 THE COMPUTER DATA CENTER AUTOMATICALLY EXPIRES, AND THE DEPARTMENT OF REVENUE
30 MAY RECAPTURE ALL OR PART OF THE TAX RELIEF PROVIDED DIRECTLY TO THE OWNERS,
31 OPERATORS AND CONTRIBUTING QUALIFIED COLOCATION TENANTS OF THE COMPUTER DATA
32 CENTER. THE AUTHORITY MAY GIVE SPECIAL CONSIDERATION OR ALLOW TEMPORARY
33 EXEMPTION FROM RECAPTURE OF TAX RELIEF IN THE CASE OF EXTRAORDINARY HARDSHIP
34 DUE TO FACTORS BEYOND THE CONTROL OF THE OWNERS, OPERATORS AND CONTRIBUTING
35 QUALIFIED COLOCATION TENANTS. NONCONTRIBUTING QUALIFIED COLOCATION TENANTS
36 ARE NOT SUBJECT TO RECAPTURE OF ANY PART OF TAX RELIEF RECEIVED. THIS
37 PARAGRAPH DOES NOT APPLY TO AN EXISTING COMPUTER DATA CENTER. AN OWNER OR
38 OPERATOR MAY APPEAL ANY REVOCATION UNDER THIS PARAGRAPH PURSUANT TO CHAPTER
39 6, ARTICLE 10 OF THIS TITLE.

40 2. THERE HAS BEEN A VIOLATION OF SUBSECTION L OF THIS SECTION WITH
41 RESPECT TO A COMPUTER DATA CENTER:

42 (a) THE AUTHORITY SHALL REVOKE THE COMPUTER DATA CENTER'S
43 CERTIFICATION AND, IF REVOKED, THE QUALIFICATION PERIOD OF ANY OWNER,

1 OPERATOR OR QUALIFIED COLOCATION TENANT OF THE COMPUTER DATA CENTER
2 AUTOMATICALLY EXPIRES.

3 (b) THE DEPARTMENT OF REVENUE MAY NOT RECAPTURE ANY TAX RELIEF
4 PROVIDED DIRECTLY TO THE OWNER, OPERATOR OR QUALIFIED COLOCATION TENANT
5 BEFORE THE DATE OF REVOCATION.

6 (c) THE OWNER OR OPERATOR MAY APPEAL THE REVOCATION UNDER THIS
7 PARAGRAPH PURSUANT TO CHAPTER 6, ARTICLE 10 OF THIS TITLE.

8 H. The authority and the department of revenue shall adopt rules and
9 prescribe forms and procedures as necessary for the purposes of this section.
10 The authority and the department shall collaborate in adopting rules as
11 necessary to avoid duplication and inconsistencies while accomplishing the
12 purposes of this section. THE AUTHORITY HAS EXCLUSIVE AUTHORITY OVER ISSUES
13 RELATED TO CERTIFICATION, INCLUDING DETERMINATIONS AS TO WHETHER A COMPUTER
14 DATA CENTER HAS SATISFIED THE REQUIREMENTS OF SUBSECTION E OF THIS SECTION,
15 CONSTITUTES A QUALIFIED SUSTAINABLE REDEVELOPMENT PROJECT OR HAS COMMITTED A
16 VIOLATION OF THIS SECTION. THE DEPARTMENT OF REVENUE HAS EXCLUSIVE AUTHORITY
17 OVER THE ADMINISTRATION OF TAX RELIEF.

18 I. Proprietary business information contained in the ~~form~~ APPLICATION
19 described in subsection B of this section, ~~and~~ the written notice described
20 in subsection F of this section AND THE LIST DESCRIBED IN SUBSECTION J OF
21 THIS SECTION are confidential and shall not be disclosed to the public except
22 that the information shall be transmitted to the department of revenue. The
23 authority or the department may disclose the name of a computer data center
24 that has been certified pursuant to this section.

25 J. The owner or operator shall provide the authority and the
26 department of revenue with a list of qualified colocation tenants, including
27 the commencement and expiration dates of each qualified colocation tenant's
28 agreement to use or occupy all or part of the computer data center, and shall
29 notify the authority and the department ~~within thirty days after any changes~~
30 ~~to the list~~ OF ANY CHANGES WITHIN THIRTY DAYS. THE FAILURE OF AN OWNER OR
31 OPERATOR TO PROVIDE THE LIST OR NOTIFY THE AUTHORITY AND DEPARTMENT OF
32 CHANGES WITHIN THE REQUIRED TIME ARE NOT GROUNDS FOR TERMINATION OF THE
33 COMPUTER DATA CENTER'S CERTIFICATION, BUT MAY PRECLUDE UNLISTED COLOCATION
34 TENANTS FROM RECEIVING TAX RELIEF UNTIL THE LIST IS PROVIDED OR UPDATED.

35 K. Except as provided in subsection G of this section, ~~on~~
36 ~~certification, the~~ IF A computer data center ~~remains certified regardless~~ HAS
37 BEEN CERTIFIED, THE CERTIFICATION REMAINS IN EFFECT, EVEN IN THE EVENT of a
38 future transfer, sale or disposition, directly or indirectly, of the computer
39 data center.

40 L. This section does not allow a computer data center to do either of
41 the following:

- 42 1. Generate electricity for resale purposes.

1 2. Generate, provide or sell electricity outside of the computer data
2 center.

3 M. The owner or operator may ~~include single entities or~~ BE A SINGLE
4 INDIVIDUAL OR ENTITY OR MULTIPLE affiliated entities.

5 N. For the purposes of this section:

6 1. "Computer data center" means all or part of a facility that may be
7 composed of multiple businesses or owners, that is or will be predominantly
8 used to house working servers and that may have uninterruptible energy supply
9 or generator backup power, or both, cooling systems, towers and other
10 temperature control infrastructure.

11 2. "Computer data center equipment" means equipment that is used to
12 outfit, operate or benefit a computer data center and component parts,
13 installations, refreshments, replacements and upgrades to this equipment,
14 REGARDLESS OF whether ~~any of the property is~~ affixed to or incorporated into
15 real property, including:

16 (a) All equipment necessary for the transformation, generation,
17 distribution or management of electricity that is required to operate
18 computer server equipment, including generators, uninterruptible energy,
19 supplies, conduit, gaseous fuel piping, cabling, duct banks, switches,
20 switchboards, batteries and testing equipment.

21 (b) All equipment necessary to cool and maintain a controlled
22 environment for the operation of the computer server and other components of
23 the computer data center, including mechanical equipment, refrigerant piping,
24 gaseous fuel piping, adiabatic and free cooling systems, cooling towers,
25 water softeners, air handling units, indoor direct exchange units, fans,
26 ducting and filters.

27 (c) All water conservation systems, including facilities or mechanisms
28 that are designed to collect, conserve and reuse water.

29 (d) All ~~enabling~~ software, computer server equipment, chassis,
30 networking equipment, switches, racks, cabling, trays and conduit.

31 (e) All monitoring equipment and security systems.

32 (f) Modular data centers and preassembled components of any item
33 described in this paragraph, including components used in the manufacturing
34 of modular data centers.

35 (g) Other tangible personal property that is essential to the
36 operations of a computer data center.

37 3. "CONTRIBUTING QUALIFIED COLOCATION TENANT" MEANS A QUALIFIED
38 COLOCATION TENANT THAT IS AN OPERATOR OR THAT HAD ITS ANTICIPATED INVESTMENT
39 INCLUDED IN AN APPLICATION FOR CERTIFICATION FOR THE PURPOSES OF SATISFYING
40 SUBSECTION E, PARAGRAPH 1 OF THIS SECTION.

41 4. "EXISTING BUILDING" MEANS ANY EXISTING VERTICAL BUILDING
42 IMPROVEMENT LOCATED AT A FACILITY USED FOR COMMERCIAL PURPOSES AT THE TIME OF

1 ITS ACQUISITION BY AN OWNER, BUT NOT INCLUDING SINGLE FAMILY RESIDENTIAL
2 STRUCTURES, BARNs OR OTHER AGRICULTURAL STRUCTURES.

3 ~~3.~~ 5. "Existing computer data center" means a computer data center
4 that is certified under subsection E, paragraph 2 of this section.

5 ~~4.~~ 6. "Facility" means one or more parcels of land in this state and
6 any structures and personal property contained on the land.

7 ~~5.~~ 7. "Modular data center" means a portable system of information
8 technology, climate control, energy supply and energy distribution machinery,
9 equipment and related tangible personal property contained in an intermodal
10 freight container or similar structure.

11 ~~6.~~ 8. "New computer data center" means a computer data center that is
12 certified under subsection E, paragraph 1 of this section.

13 9. "OPERATOR" MEANS ANY INDIVIDUAL OR ENTITY THAT OPERATES A COMPUTER
14 DATA CENTER AS AN OWNER OR LESSOR OR PURSUANT TO A CONTRACT WITH AN OWNER OR
15 LESSOR. AN OWNER MAY BE A LICENSED PROPERTY MANAGEMENT COMPANY, A PROPERTY
16 LESSOR OR ANY OTHER INDIVIDUAL OR ENTITY RESPONSIBLE FOR THE CONTROL,
17 OVERSIGHT AND MAINTENANCE OF A FACILITY. OPERATOR DOES NOT INCLUDE A
18 QUALIFIED COLOCATION TENANT THAT CONTRACTS TO USE OR OCCUPY SPACE WITHIN A
19 COMPUTER DATA CENTER, UNLESS THE AUTHORITY EXPRESSLY AGREES.

20 ~~7.~~ 10. "Qualification period" means:

21 (a) With respect to the owner or operator of a computer data center, a
22 period of time beginning on the EFFECTIVE date of ~~certification of~~ the
23 computer data ~~center~~ CENTER'S CERTIFICATION and expiring at the end of the
24 tenth full calendar year following the calendar year ~~in which the owner or~~
25 ~~operator filed the form for certification~~ CONTAINING THE EFFECTIVE DATE,
26 except, if a computer data center is a sustainable redevelopment project,
27 qualification period means a period of time beginning on the EFFECTIVE date
28 of ~~certification of~~ the computer data ~~center~~ CENTER'S CERTIFICATION and
29 expiring at the end of the twentieth full calendar year following the
30 calendar year ~~in which the owner or operator filed the form for certification~~
31 CONTAINING THE EFFECTIVE DATE.

32 (b) With respect to the qualified colocation tenant of the owner or
33 operator of a computer data center certified under this section, a period of
34 time beginning on the date that the qualified colocation tenant enters into
35 an agreement concerning the use or occupancy of the computer data center and
36 expiring at the earlier of the expiration of the term of ~~this~~ THE agreement
37 or the tenth full calendar year following the calendar year in which the
38 qualified colocation tenant ~~enters~~ ENTERED into ~~this~~ THE agreement, except,
39 if a computer data center is a sustainable redevelopment project,
40 qualification period means a period of time beginning on the date that the
41 qualified colocation tenant enters into an agreement concerning the use or
42 occupancy of the computer data center and expiring at the earlier of the
43 expiration of the term of ~~this~~ THE agreement or the twentieth full calendar

1 year following the calendar year in which the tenant ~~enters~~ ENTERED into ~~this~~
2 THE agreement. THE QUALIFICATION PERIOD FOR A QUALIFIED COLOCATION TENANT
3 MAY NOT EXTEND BEYOND THE QUALIFICATION PERIOD FOR THE OWNER OR OPERATOR OF
4 THE COMPUTER DATA CENTER.

5 ~~8-~~ 11. "Qualified colocation tenant" means an entity that contracts
6 with the owner or operator of a computer data center that is certified
7 pursuant to this section to use or occupy all or part of the computer data
8 center for at least five hundred kilowatts per month for a period of two or
9 more years.

10 12. "SOFTWARE" MEANS ANY SOFTWARE PURCHASED, LEASED OR LICENSED TO
11 SUPPORT ANY ASPECT OF THE COMPUTER DATA CENTER OR ITS COMPUTER DATA CENTER
12 EQUIPMENT, INCLUDING SOFTWARE AFFECTING OPERATIONS, NETWORKING, OPERATING
13 SYSTEMS, DATA STORAGE AND MANIPULATION, CLOUD COMPUTING, AUTOMATION,
14 VIRTUALIZATION, MANAGEMENT AND SECURITY.

15 ~~9-~~ 13. "Sustainable redevelopment project" means a computer data
16 center that satisfies the requirements in subsection E of this section and
17 that occupies or ~~will occupy the structural improvements at~~ REPLACES an
18 existing ~~facility~~ BUILDING that either:

19 (a) Was ACQUIRED BY THE OWNER THROUGH PURCHASE OR LEASE AFTER
20 SEPTEMBER 1, 2006 AND WAS at least fifty ~~per cent~~ PERCENT vacant for six of
21 the twelve months before the acquisition ~~by purchase or lease of or with~~
22 ~~respect to the facility~~.

23 (b) Attains certification under the energy star or green globes
24 standard, the leadership in energy and environmental design green building
25 rating standard developed by the United States green building council or an
26 equivalent green building standard and was not previously certified under
27 these standards.

28 FOR THE PURPOSES OF SUBDIVISIONS (a) AND (b) OF THIS PARAGRAPH, AFTER
29 RECEIVING CERTIFICATION, AN OWNER MAY SUBSTANTIALLY DEMOLISH ALL OR PART OF
30 AN EXISTING BUILDING TO THE EXTENT REASONABLY NECESSARY TO ACCOMMODATE FUTURE
31 COMPUTER DATA CENTER USE AND THE DEMOLITION IS NOT CAUSE FOR LOSS OF
32 CERTIFICATION AS A SUSTAINABLE REDEVELOPMENT PROJECT. EXISTING BUILDINGS
33 THAT HAVE BEEN SUBSTANTIALLY DEMOLISHED BEFORE CERTIFICATION ARE NOT ELIGIBLE
34 TO QUALIFY AS SUSTAINABLE REDEVELOPMENT PROJECTS. AN OWNER OR OPERATOR MAY
35 INCREASE THE SIZE OF AN EXISTING BUILDING WITHIN A SUSTAINABLE REDEVELOPMENT
36 PROJECT IN AN UNLIMITED MANNER TO THE EXTENT THE EXPANSION FITS WITHIN THE
37 COMPUTER DATA CENTER BOUNDARY DESCRIBED IN ITS APPLICATION TO THE AUTHORITY.
38 EXPANSION ACTIVITIES DO NOT PREVENT A FACILITY FROM MAINTAINING ITS
39 CLASSIFICATION AS A SUSTAINABLE REDEVELOPMENT PROJECT. ALL CONSTRUCTION
40 ACTIVITIES AND INVESTMENTS RELATED TO DEMOLITION AND EXPANSION ACTIVITIES
41 DESCRIBED IN THIS PARAGRAPH ARE CONSIDERED TO BE PART OF THE SUSTAINABLE
42 REDEVELOPMENT PROJECT.

1 ~~10-~~ 14. "Tax relief" means the deduction of the gross proceeds of sale
2 or gross income from the sale of qualified equipment as prescribed by section
3 42-5061, 42-5159 or 42-6004 that is installed in a computer data center.

4 Sec. 2. Section 42-5061, Arizona Revised Statutes, is amended to 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.

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

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

36 11. Prescription eyeglasses or contact lenses.

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

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

1 person in the absence of illness or injury and is appropriate for use in the
2 home.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 25. Tangible personal property sold to:

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

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

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

34 (d) A qualifying community health center as defined in section
35 42-5001.

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

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

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

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

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

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

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

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

18 28. The sale of a motor vehicle to:

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

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

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

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

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

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

7 33. Sales of seeds, seedlings, roots, bulbs, cuttings and other
8 propagative material to persons who use those items to commercially produce
9 agricultural, horticultural, viticultural or floricultural crops in this
10 state.

11 34. Machinery, equipment, technology or related supplies that are only
12 useful to assist a person ~~who has~~ WITH a physical disability as defined in
13 section 46-191, ~~OR A PERSON WHO~~ has a developmental disability as defined in
14 section 36-551 or has a head injury as defined in section 41-3201 to be more
15 independent and functional.

16 35. Sales of natural gas or liquefied petroleum gas used to propel a
17 motor vehicle.

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

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

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

1 operation and includes job printing, engraving, embossing, copying and
2 bookbinding.

3 39. Through December 31, 1994, personal property liquidation
4 transactions, conducted by a personal property liquidator. From and after
5 December 31, 1994, personal property liquidation transactions shall be
6 taxable under this section provided that nothing in this subsection shall be
7 construed to authorize the taxation of casual activities or transactions
8 under this chapter. For the purposes of this paragraph:

9 (a) "Personal property liquidation transaction" means a sale of
10 personal property made by a personal property liquidator acting solely on
11 behalf of the owner of the personal property sold at the dwelling of the
12 owner or on the death of any owner, on behalf of the surviving spouse, if
13 any, any devisee or heir or the personal representative of the estate of the
14 deceased, if one has been appointed.

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

17 40. Sales of food, drink and condiment for consumption within the
18 premises of any prison, jail or other institution under the jurisdiction of
19 the state department of corrections, the department of public safety, the
20 department of juvenile corrections or a county sheriff.

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

25 42. Livestock and poultry feed, salts, vitamins and other additives for
26 livestock or poultry consumption that are sold to persons who are engaged in
27 producing livestock, poultry, or livestock or poultry products or who are
28 engaged in feeding livestock or poultry commercially. For the purposes of
29 this paragraph, "poultry" includes ratites.

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

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

40 45. Tangible personal property sold to a person engaged in business and
41 subject to tax under the transient lodging classification if the tangible
42 personal property is a personal hygiene item or articles used by human beings
43 for food, drink or condiment, except alcoholic beverages, that are furnished

1 without additional charge to and intended to be consumed by the transient
2 during the transient's occupancy.

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

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

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

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

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

20 49. Sales of alternative fuel vehicles if the vehicle was manufactured
21 as a diesel fuel vehicle and converted to operate on alternative fuel and
22 equipment that is installed in a conventional diesel fuel motor vehicle to
23 convert the vehicle to operate on an alternative fuel, as defined in section
24 1-215.

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

28 51. Sales of tangible personal property to be incorporated or installed
29 as part of environmental response or remediation activities under section
30 42-5075, subsection B, paragraph 6.

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

36 53. Through August 31, 2014, sales of Arizona centennial medallions by
37 the historical advisory commission.

38 54. Application services that are designed to assess or test student
39 learning or to promote curriculum design or enhancement purchased by or for
40 any school district, charter school, community college or state university.
41 For the purposes of this paragraph:

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

1 (b) "Curriculum design or enhancement" means planning, implementing or
2 reporting on courses of study, lessons, assignments or other learning
3 activities.

4 55. Sales of motor vehicle fuel and use fuel to a qualified business
5 under section 41-1516 for off-road use in harvesting, processing or
6 transporting qualifying forest products removed from qualifying projects as
7 defined in section 41-1516.

8 56. Sales of repair parts installed in equipment used directly by a
9 qualified business under section 41-1516 in harvesting, processing or
10 transporting qualifying forest products removed from qualifying projects as
11 defined in section 41-1516.

12 57. Sales or other transfers of renewable energy credits or any other
13 unit created to track energy derived from renewable energy resources. For
14 the purposes of this paragraph, "renewable energy credit" means a unit
15 created administratively by the corporation commission or governing body of a
16 public power utility to track kilowatt hours of electricity derived from a
17 renewable energy resource or the kilowatt hour equivalent of conventional
18 energy resources displaced by distributed renewable energy resources.

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

30 59. Orthodontic devices dispensed by a dental professional who is
31 licensed under title 32, chapter 11 to a patient as part of the practice of
32 dentistry.

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

37 1. Machinery, or equipment, used directly in manufacturing,
38 processing, fabricating, job printing, refining or metallurgical operations.
39 The terms "manufacturing", "processing", "fabricating", "job printing",
40 "refining" and "metallurgical" as used in this paragraph refer to and include
41 those operations commonly understood within their ordinary meaning.
42 "Metallurgical operations" includes leaching, milling, precipitating,
43 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 that are components of
12 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, ratices, 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

37 18. Machinery or equipment, including related structural components,
38 that is employed in connection with manufacturing, processing, fabricating,
39 job printing, refining, mining, natural gas pipelines, metallurgical
40 operations, telecommunications, producing or transmitting electricity or
41 research and development and that is used directly to meet or exceed rules or
42 regulations adopted by the federal energy regulatory commission, the United
43 States environmental protection agency, the United States nuclear regulatory

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

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

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

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

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

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

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

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

31 1. Expendable materials. For the purposes of this paragraph,
32 expendable materials do not include any of the categories of tangible
33 personal property specified in subsection B of this section regardless of the
34 cost or useful life of that property.

35 2. Janitorial equipment and hand tools.

36 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

14 E. In computing the tax base, gross proceeds of sales or gross income
15 from retail sales of heavy trucks and trailers does not include any amount
16 attributable to federal excise taxes imposed by 26 United States Code section
17 4051.

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

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

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

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

- 42 1. Transporting classification.
- 43 2. Utilities classification.

1 3. Telecommunications classification.

2 4. Pipeline classification.

3 5. Private car line classification.

4 6. Publication classification.

5 7. Job printing classification.

6 8. Prime contracting classification.

7 9. Restaurant classification.

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

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

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

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

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

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

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

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

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

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

41 N. There shall be deducted from the tax base the amount received from
42 sales of solar energy devices. The retailer shall register with the
43 department as a solar energy retailer. By registering, the retailer

1 acknowledges that it will make its books and records relating to sales of
2 solar energy devices available to the department for examination.

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

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

15 Q. Retail sales of prepaid calling cards or prepaid authorization
16 numbers for telecommunications services, including sales of reauthorization
17 of a prepaid card or authorization number, are subject to tax under this
18 section.

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

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

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

27 S. For the purposes of this section, the transfer of title or
28 possession of coal from an owner or operator of a power plant to a person in
29 the business of refining coal is not a sale of coal if both of the following
30 apply:

31 1. The transfer of title or possession of the coal is for the purpose
32 of refining the coal.

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

39 T. If a seller is entitled to a deduction pursuant to subsection B,
40 paragraph 15, subdivision (b) of this section, the department may require the
41 purchaser to establish that the requirements of subsection B, paragraph 15,
42 subdivision (b) of this section have been satisfied. If the purchaser cannot
43 establish that the requirements of subsection B, paragraph 15, subdivision

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

11 U. For the purposes of section 42-5032.01, the department shall
12 separately account for revenues collected under the retail classification
13 from businesses selling tangible personal property at retail:

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

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

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

31 W. For the purposes of this section:

32 1. "Aircraft" includes:

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

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

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

42 3. "Selling at retail" means a sale for any purpose other than for
43 resale in the regular course of business in the form of tangible personal

1 property, but transfer of possession, lease and rental as used in the
2 definition of sale mean only such transactions as are found on investigation
3 to be in lieu of sales as defined without the words lease or rental.

4 X. For the purposes of subsection J of this section:

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

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

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

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

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

23 6. "Subcontract" means an agreement between a contractor and any
24 person who is not an employee of the contractor for furnishing of supplies or
25 services that, in whole or in part, are necessary to the performance of one
26 or more government contracts, or under which any portion of the contractor's
27 obligation under one or more government contracts is performed, undertaken or
28 assumed and that includes provisions causing title to overhead materials or
29 other tangible personal property used in the performance of the subcontract
30 to pass to the government or that includes provisions incorporating such
31 title passing clauses in a government contract into the subcontract. For the
32 purposes of this paragraph, "contractor" has its ordinary and common meaning
33 ~~and does not have the meaning prescribed by section 42-5001.~~

34 Sec. 3. Section 42-5159, Arizona Revised Statutes, is amended to read:
35 42-5159. Exemptions

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

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

42 2. Tangible personal property the sale or use of which has already
43 been subjected to an excise tax at a rate equal to or exceeding the tax

1 imposed by this article under the laws of another state of the United States.
2 If the excise tax imposed by the other state is at a rate less than the tax
3 imposed by this article, the tax imposed by this article is reduced by the
4 amount of the tax already imposed by the other state.

5 3. Tangible personal property, the storage, use or consumption of
6 which the constitution or laws of the United States prohibit this state from
7 taxing or to the extent that the rate or imposition of tax is
8 unconstitutional under the laws of the United States.

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

12 5. Motor vehicle fuel and use fuel, the sales, distribution or use of
13 which in this state is subject to the tax imposed under title 28, chapter 16,
14 article 1, use fuel that is sold to or used by a person holding a valid
15 single trip use fuel tax permit issued under section 28-5739, aviation fuel,
16 the sales, distribution or use of which in this state is subject to the tax
17 imposed under section 28-8344, and jet fuel, the sales, distribution or use
18 of which in this state is subject to the tax imposed under article 8 of this
19 chapter.

20 6. Tangible personal property brought into this state by an individual
21 who was a nonresident at the time the property was purchased for storage, use
22 or consumption by the individual if the first actual use or consumption of
23 the property was outside this state, unless the property is used in
24 conducting a business in this state.

25 7. Purchases of implants used as growth promotants and injectable
26 medicines, not already exempt under paragraph 16 of this subsection, for
27 livestock and poultry owned by, or in possession of, persons who are engaged
28 in 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 8. Livestock, poultry, supplies, feed, salts, vitamins and other
32 additives for use or consumption in the businesses of farming, ranching and
33 feeding livestock or poultry, not including fertilizers, herbicides and
34 insecticides. For the purposes of this paragraph, "poultry" includes
35 ratites.

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

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

42 11. Advertising supplements that are intended for sale with newspapers
43 published in this state and that have already been subjected to an excise tax

1 under the laws of another state in the United States that equals or exceeds
2 the tax imposed by this article.

3 12. Materials that are purchased by or for publicly funded libraries
4 including school district libraries, charter school libraries, community
5 college libraries, state university libraries or federal, state, county or
6 municipal libraries for use by the public as follows:

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

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

9 13. Tangible personal property purchased by:

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

13 (b) A hospital operated by this state or a political subdivision of
14 this state.

15 (c) A licensed nursing care institution or a licensed residential care
16 institution or a residential care facility operated in conjunction with a
17 licensed nursing care institution or a licensed kidney dialysis center, which
18 provides medical services, nursing services or health related services and is
19 not used or held for profit.

20 (d) A qualifying health care organization, as defined in section
21 42-5001, if the tangible personal property is used by the organization solely
22 to provide health and medical related educational and charitable services.

23 (e) A qualifying health care organization as defined in section
24 42-5001 if the organization is dedicated to providing educational,
25 therapeutic, rehabilitative and family medical education training for blind
26 and visually impaired children and children with ~~multidisabilities~~ MULTIPLE
27 DISABILITIES from the time of birth to age twenty-one.

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

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

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

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

42 (h) A nonprofit charitable organization that has qualified under
43 section 501(c)(3) of the internal revenue code if the property is purchased

1 from the parent or an affiliate organization that is located outside this
2 state.

3 (i) A qualifying community health center as defined in section
4 42-5001.

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

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

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

21 (m) A qualifying health sciences educational institution as defined in
22 section 42-5001.

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

28 15. Tangible personal property sold by:

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

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

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

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

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

8 18. Prescription eyeglasses and contact lenses.

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

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

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

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

19 23. 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 24. Food and drink provided without monetary charge by a taxpayer that
25 is subject to section 42-5074 to its employees for their own consumption on
26 the premises during the employees' hours of employment.

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

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

35 27. Lottery tickets or shares purchased pursuant to title 5, chapter
36 5.1, article 1.

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

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

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

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

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

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

16 (b) Public educational institutions.

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

20 33. Natural gas or liquefied petroleum gas used to propel a motor
21 vehicle.

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

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

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

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

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

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

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

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

31 40. Through December 31, 1994, tangible personal property sold pursuant
32 to a personal property liquidation transaction, as defined in section
33 42-5061. From and after December 31, 1994, tangible personal property sold
34 pursuant to a personal property liquidation transaction, as defined in
35 section 42-5061, if the gross proceeds of the sales were included in the
36 measure of the tax imposed by article 1 of this chapter or if the personal
37 property liquidation was a casual activity or transaction.

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

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

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

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

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

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

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

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

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

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

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

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

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

1 (b) "Curriculum design or enhancement" means planning, implementing or
2 reporting on courses of study, lessons, assignments or other learning
3 activities.

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

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

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

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

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

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

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

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

42 1. Machinery, or equipment, used directly in manufacturing,
43 processing, fabricating, job printing, refining or metallurgical operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

37 18. Machinery or equipment, including related structural components,
38 that is employed in connection with manufacturing, processing, fabricating,
39 job printing, refining, mining, natural gas pipelines, metallurgical
40 operations, telecommunications, producing or transmitting electricity or
41 research and development and that is used directly to meet or exceed rules or
42 regulations adopted by the federal energy regulatory commission, the United
43 States environmental protection agency, the United States nuclear regulatory

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

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

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

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

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

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

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

29 C. The exemptions provided by subsection B of this section do not
30 include:

31 1. Expendable materials. For the purposes of this paragraph,
32 expendable materials do not include any of the categories of tangible
33 personal property specified in subsection B of this section regardless of the
34 cost or useful life of that property.

35 2. Janitorial equipment and hand tools.

36 3. Office equipment, furniture and supplies.

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

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

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

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

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

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

8 1. Revenues received from sales of ancillary services, electric
9 distribution services, electric generation services, electric transmission
10 services and other services related to providing electricity to a retail
11 electric customer who is located outside this state for use outside this
12 state if the electricity is delivered to a point of sale outside this state.

13 2. Revenues received from providing electricity, including ancillary
14 services, electric distribution services, electric generation services,
15 electric transmission services and other services related to providing
16 electricity with respect to which the transaction privilege tax imposed under
17 section 42-5063 has been paid.

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

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

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

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

33 G. The tax levied by this article does not apply to the purchase price
34 of electricity or natural gas by a business that is principally engaged in
35 manufacturing or smelting operations and that uses at least fifty-one ~~per~~
36 ~~cent~~ PERCENT of the electricity or natural gas in the manufacturing or
37 smelting operations. This subsection does not apply to gas transportation
38 services. For the purposes of this subsection:

39 1. "Gas transportation services" means the services of transporting
40 natural gas to a natural gas customer or to a natural gas distribution
41 facility if the natural gas was purchased from a supplier other than the
42 utility.

1 2. "Manufacturing" means the performance as a business of an
2 integrated series of operations that places tangible personal property in a
3 form, composition or character different from that in which it was acquired
4 and transforms it into a different product with a distinctive name, character
5 or use. Manufacturing does not include processing, fabricating, job
6 printing, mining, generating electricity or operating a restaurant.

7 3. "Principally engaged" means at least fifty-one ~~per-cent~~ PERCENT of
8 the business is a manufacturing or smelting operation.

9 4. "Smelting" means to melt or fuse a metalliferous mineral, often
10 with an accompanying chemical change, usually to separate the metal.

11 H. For the purposes of subsection B of this section:

12 1. "Aircraft" includes:

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

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

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

22 I. For the purposes of subsection D of this section, "ancillary
23 services", "electric distribution service", "electric generation service",
24 "electric transmission service" and "other services" have the same meanings
25 prescribed in section 42-5063.

26 Sec. 4. Section 42-6004, Arizona Revised Statutes, is amended to read:
27 42-6004. Exemption from municipal tax

28 A. A city, town or special taxing district shall not levy a
29 transaction privilege, sales, use or other similar tax on:

30 1. Exhibition events in this state sponsored, conducted or operated by
31 a nonprofit organization that is exempt from taxation under section
32 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the
33 organization is associated with a major league baseball team or a national
34 touring professional golfing association and no part of the organization's
35 net earnings inures to the benefit of any private shareholder or individual.

36 2. Interstate telecommunications services, which include that portion
37 of telecommunications services, such as subscriber line service, allocable by
38 federal law to interstate telecommunications service.

39 3. Sales of warranty or service contracts.

40 4. Sales of motor vehicles to nonresidents of this state for use
41 outside this state if the motor vehicle dealer ships or delivers the motor
42 vehicle to a destination outside this state.

43 5. Interest on finance contracts.

1 6. Dealer documentation fees on the sales of motor vehicles.

2 7. Sales of food or other items purchased with United States
3 department of agriculture food stamp coupons issued under the food stamp act
4 of 1977 (P.L. 95-113; 91 Stat. 958) or food instruments issued under section
5 17 of the child nutrition act (P.L. 95-627; 92 Stat. 3603; P.L. 99-661,
6 section 4302; 42 United States Code section 1786) but may impose such a tax
7 on other sales of food. If a city, town or special taxing district exempts
8 sales of food from its tax or imposes a different transaction privilege rate
9 on the gross proceeds of sales or gross income from sales of food and nonfood
10 items, it shall use the definition of food prescribed by rule adopted by the
11 department pursuant to section 42-5106.

12 8. Orthodontic devices dispensed by a dental professional who is
13 licensed under title 32, chapter 11 to a patient as part of the practice of
14 dentistry.

15 9. Sales of internet access services to the person's subscribers and
16 customers. For the purposes of this paragraph:

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

21 (b) "Internet access" means a service that enables users to access
22 content, information, electronic mail or other services over the internet.
23 Internet access does not include telecommunication services provided by a
24 common carrier.

25 10. The gross proceeds of sales or gross income retained by the Arizona
26 exposition and state fair board from ride ticket sales at the annual Arizona
27 state fair.

28 11. Through August 31, 2014, sales of Arizona centennial medallions by
29 the historical advisory commission.

30 12. Leasing real property between affiliated companies, businesses,
31 persons or reciprocal insurers. For the purposes of this paragraph:

32 (a) "Affiliated companies, businesses, persons or reciprocal insurers"
33 means the lessor holds a controlling interest in the lessee, the lessee holds
34 a controlling interest in the lessor, affiliated persons hold a controlling
35 interest in both the lessor and the lessee, or an unrelated person holds a
36 controlling interest in both the lessor and lessee.

37 (b) "Affiliated persons" means members of the individual's family or
38 persons who have ownership or control of a business entity.

39 (c) "Controlling interest" means direct or indirect ownership of at
40 least eighty ~~per cent~~ PERCENT of the voting shares of a corporation or of the
41 interests in a company, business or person other than a corporation.

1 (d) "Members of the individual's family" means the individual's spouse
2 and brothers and sisters, whether by whole or half blood, including adopted
3 persons, ancestors and lineal descendants.

4 (e) "Reciprocal insurer" has the same meaning prescribed in section
5 20-762.

6 13. The gross proceeds of sales or gross income derived from a contract
7 for the installation, assembly, repair or maintenance of machinery, equipment
8 or other tangible personal property described in section 42-5061, subsection
9 B and that has independent functional utility, pursuant to the following
10 provisions:

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

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

15 (ii) Any activity performed on any tangible personal property relating
16 to machinery, equipment or other tangible personal property with independent
17 functional utility in furtherance of any of the purposes provided for under
18 subdivision (d) of this paragraph.

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

22 (b) The deduction provided in this paragraph does not include gross
23 proceeds of sales or gross income from the portion of any contracting
24 activity that consists of the development of, or modification to, real
25 property in order to facilitate the installation, assembly, repair,
26 maintenance or removal of machinery, equipment or other tangible personal
27 property described in section 42-5061, subsection B.

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

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

35 (i) Assembling the machinery, equipment or other tangible personal
36 property.

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

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

42 (iv) Stabilizing or protecting the machinery, equipment or other
43 tangible personal property during operation by bolting, burying or performing

1 other dissimilar nonpermanent connections to either real property or real
2 property improvements.

3 14. The leasing or renting of certified ignition interlock devices
4 installed pursuant to the requirements prescribed by section 28-1461. For
5 the purposes of this paragraph, "certified ignition interlock device" has the
6 same meaning prescribed in section 28-1301.

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

18 16. The gross proceeds of sales or gross income derived from a contract
19 with the owner of real property or the person owning the improvements to the
20 real property for the maintenance, repair, ~~or~~ replacement or alteration of
21 existing property ~~is not subject to tax under this section~~ if the contract
22 does not include modification activities, except as specified in this
23 paragraph. The gross proceeds of sales or gross income derived from a
24 de minimis amount of modification activity that is essential to the
25 completion of the maintenance, repair, replacement or alteration contract
26 does not subject the entire contract to tax under this section. For the
27 purposes of this paragraph:

28 (a) Each contract or project is independent of another contract.

29 (b) "Modification" means construction, alteration, addition,
30 subtraction, improvement, movement, wreckage or demolition.

31 17. Monitoring services relating to an alarm system as defined in
32 section 32-101.

33 18. Tangible personal property, job printing or publications sold to or
34 purchased by, or tangible personal property leased, rented or licensed for
35 use to or by, a qualifying health sciences educational institution as defined
36 in section 42-5001.

37 19. The transfer of title or possession of coal back and forth between
38 an owner or operator of a power plant and a person who is responsible for
39 refining coal if both of the following apply:

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

42 (b) The title or possession of the coal is transferred back to the
43 owner or operator of the power plant after completion of the coal refining

1 process. For the purposes of this subdivision, "coal refining process" means
2 the application of a coal additive system that aids the reduction of power
3 plant emissions during the combustion of coal and the treatment of flue gas.

4 20. The gross proceeds of sales or gross income from sales of low or
5 reduced cost articles of food or drink to eligible elderly, ~~disabled~~ or
6 homeless persons **OR PERSONS WITH A DISABILITY** by a business subject to tax
7 under section 42-5074 that contracts with the department of economic security
8 and that is approved by the food and nutrition service of the United States
9 department of agriculture pursuant to the supplemental nutrition assistance
10 program established by the food and nutrition act of 2008 (P.L. 110-246; 122
11 Stat. 1651; 7 United States Code sections 2011 through 2036a), if the
12 purchases are made with the benefits issued pursuant to the supplemental
13 nutrition assistance program.

14 B. A city, town or other taxing jurisdiction shall not levy a
15 transaction privilege, sales, use, franchise or other similar tax or fee,
16 however denominated, on natural gas or liquefied petroleum gas used to propel
17 a motor vehicle.

18 C. A city, town or other taxing jurisdiction shall not levy a
19 transaction privilege, sales, gross receipts, use, franchise or other similar
20 tax or fee, however denominated, on gross proceeds of sales or gross income
21 derived from any of the following:

22 1. A motor carrier's use on the public highways in this state if the
23 motor carrier is subject to a fee prescribed in title 28, chapter 16,
24 article 4.

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

27 3. The sale of a motor vehicle and any repair and replacement parts
28 and tangible personal property becoming a part of such motor vehicle to a
29 motor carrier who is subject to a fee prescribed in title 28, chapter 16,
30 article 4 and who is engaged in the business of leasing, renting or licensing
31 such property.

32 4. Incarcerating or detaining in a privately operated prison, jail or
33 detention facility prisoners who are under the jurisdiction of the United
34 States, this state or any other state or a political subdivision of this
35 state or of any other state.

36 5. Transporting for hire persons, freight or property by light motor
37 vehicles subject to a fee under title 28, chapter 15, article 4.

38 6. Any amount attributable to development fees that are incurred in
39 relation to the construction, development or improvement of real property and
40 paid by the taxpayer as defined in the model city tax code or by a contractor
41 providing services to the taxpayer. For the purposes of this paragraph:

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

1 (b) The attributable amount is equal to the total amount of
2 development fees paid by the taxpayer or by a contractor providing services
3 to the taxpayer and the total development fees credited in exchange for the
4 construction of, contribution to or dedication of real property for providing
5 public infrastructure, public safety or other public services necessary to
6 the development. The real property must be the subject of the development
7 fees.

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

12 D. A city, town or other taxing jurisdiction shall not levy a
13 transaction privilege, sales, use, franchise or other similar tax or fee,
14 however denominated, in excess of one-tenth of one ~~per-cent~~ PERCENT of the
15 value of the entire product mined, smelted, extracted, refined, produced or
16 prepared for sale, profit or commercial use, on persons engaged in the
17 business of mineral processing, except to the extent that the tax is computed
18 on the gross proceeds or gross income from sales at retail.

19 E. In computing the tax base, any city, town or other taxing
20 jurisdiction shall not include in the gross proceeds of sales or gross
21 income:

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

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

25 F. A city or town shall not levy a use tax on the storage, use or
26 consumption of tangible personal property in the city or town by a school
27 district or charter school."

28 Amend title to conform

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