

COMMITTEE ON COMMERCE  
HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2704  
(Reference to printed bill)

Amendment instruction key:  
[GREEN UNDERLINING IN BRACKETS] indicates text added to statute or previously enacted session law.  
[Green underlining in brackets] indicates text added to new session law or text restoring existing law.  
[GREEN STRIKEOUT IN BRACKETS] indicates new text removed from statute or previously enacted session law.  
[Green strikeout in brackets] indicates text removed from existing statute, previously enacted session law or new session law.  
<<Green carets>> indicate a section added to the bill.  
<<Green strikeout in carets>> indicates a section removed from the bill.

1 The bill as proposed to be amended is reprinted as follows:

2 Section 1. Section 28-2154.01, Arizona Revised Statutes, is amended  
3 to read:

4 28-2154.01. Special ninety day nonresident registration  
5 permits; procedures

6 A. A dealer or an authorized third party that issues a special  
7 ninety day nonresident registration permit pursuant to section 28-2154  
8 shall send an electronic record of the permit to the department through an  
9 authorized third party or through the department's authorized third-party  
10 electronic service provider.

11 B. The department, an authorized third party or a dealer shall not:

12 1. Issue, assign or deliver a special ninety day nonresident  
13 registration permit to any person unless the person does all of the  
14 following:

15 (a) Obtains the special ninety day nonresident registration permit  
16 pursuant to section 28-2154.

17 (b) Completes an affidavit in a form prescribed by the director  
18 pursuant to section 28-2154 or completes a form prescribed by section  
19 42-5009, subsection H.

20 (c) Presents to the department, authorized third party or motor  
21 vehicle dealer a current valid driver license issued by another state  
22 indicating an address outside of this state.

23 (d) Provides any other information reasonably and uniformly  
24 required by the department of transportation pursuant to section 28-2154  
25 or the department of revenue pursuant to section 42-5009, subsection H.

26 2. Issue and affix, as prescribed in subsection C of this section,  
27 a special ninety day nonresident registration permit unless the permit is  
28 recorded in the electronic records of the department.

1 C. A person who issues a special ninety day nonresident  
2 registration permit shall affix or insert, clearly and indelibly, on the  
3 face of each permit the dates of issuance and expiration and the make and  
4 vehicle identification number of the vehicle. The special ninety day  
5 nonresident registration permit shall not bear the name or address of the  
6 person who purchased the vehicle in a position that is legible from  
7 outside of the vehicle.

8 D. A dealer or authorized third party who issues a special ninety  
9 day nonresident registration permit shall maintain a record, in a form  
10 prescribed by the director, of all special ninety day nonresident  
11 registration permits issued by the dealer or authorized third party and a  
12 record of other information pertaining to the issuance of special ninety  
13 day nonresident registration permits that the department of transportation  
14 or the department of revenue requires.

15 E. The dealer or authorized third party shall keep each record for  
16 at least three years after the date of entry of the record.

17 F. A dealer or authorized third party shall allow the director of  
18 the department of transportation or the director of the department of  
19 revenue full and free access to the records during regular business hours.

20 G. The electronic record is written notice of the removal of the  
21 vehicle from this state for use in the purchaser's state of residence and  
22 relieves the dealer or authorized third party of liability in accordance  
23 with the requirements of section 42-5009.

24 H. If a purchaser registers the vehicle in this state within three  
25 hundred sixty-five days after the issuance of the special ninety day  
26 nonresident registration permit, the purchaser is liable in an amount  
27 equal to any tax, penalty and interest that the motor vehicle dealer or  
28 authorized third party would have been required to pay under title 42,  
29 chapter 5 and under articles IV and VI of the model city tax code as  
30 defined in section 42-6051. At the time of issuing the special ninety day  
31 nonresident registration permit, a motor vehicle dealer or authorized  
32 third party shall inform the purchaser in writing of the purchaser's  
33 liability described in this section. Subsequent registration or use of  
34 the vehicle in this state does not create a cause of action against a  
35 dealer or authorized third party that complies with section 28-2154,  
36 subsection A, this section and section 42-5009, subsection H.

37 I. The department of transportation and the department of revenue  
38 shall jointly develop and prescribe forms for the motor vehicle dealer,  
39 the authorized third party and the purchaser to complete for the proper  
40 administration and enforcement of this section.

41 J. Compliance with this section and section 28-2154 allows delivery  
42 of the vehicle to a nonresident purchaser in this state and retains the  
43 applicable deductions pursuant to section 42-5061, subsection A, paragraph  
44 28 and subsection ~~V~~ V.

45 Sec. 2. Section 42-1116, Arizona Revised Statutes, is amended to  
46 read:

47 42-1116. Disposition of tax revenues

1 A. The department of revenue shall promptly deposit, pursuant to  
2 sections 35-146 and 35-147, all monies it collects from the taxes  
3 administered pursuant to this article except the telecommunication  
4 services excise tax, separately accounting for each type of tax and each  
5 tax classification within each type of tax. At the same time the  
6 department of revenue shall also furnish copies of the transmittal  
7 schedules to the director of the department of administration.

8 B. Except as provided by ~~subsection~~ SUBSECTIONS C AND D of this  
9 section, the department shall deposit all monies and remittances received  
10 under this section to the credit of the following specific funds and  
11 accounts:

12 1. Amounts sufficient to meet the requirements for tax refunds to  
13 the tax refund account established by section 42-1117.

14 2. Amounts sufficient to meet the requirements of urban revenue  
15 sharing to the urban revenue sharing fund established by section 43-206.

16 3. Amounts collected pursuant to chapter 5, articles 1 and 5 of  
17 this title to the transaction privilege and severance tax clearing account  
18 established by section 42-5029.

19 4. Amounts sufficient to meet the requirements of section 42-3104  
20 to the corrections fund.

21 5. Amounts sufficient to meet the requirements of section 49-282,  
22 subsection B relating to the water quality assurance revolving fund.

23 6. All remaining monies to the state general fund.

24 C. From the monies and remittances received under this section,  
25 each month beginning July 2001 the state treasurer shall transmit to the  
26 tourism and sports authority, established by title 5, chapter 8, for  
27 deposit in its facility revenue clearing account established by section  
28 5-834 one-twelfth of the amount reported by the department pursuant to  
29 section 43-209.

30 D. FROM THE MONIES AND REMITTANCES RECEIVED UNDER THIS SECTION,  
31 EACH YEAR BEGINNING JULY 1, 2026, THE STATE TREASURER SHALL TRANSMIT TO  
32 THE COUNTY STADIUM DISTRICT ESTABLISHED PURSUANT TO TITLE 48, CHAPTER 26  
33 FOR DEPOSIT IN THE COUNTY STADIUM DISTRICT FUND ESTABLISHED PURSUANT TO  
34 SECTION 48-4231 THE AMOUNT REPORTED BY THE DEPARTMENT PURSUANT TO SECTION  
35 43-209, SUBSECTION D FOR THE PRIOR TAXABLE YEAR.

36 Sec. 3. Section 42-5008.01, Arizona Revised Statutes, is amended to  
37 read:

38 42-5008.01. Liability for amounts equal to retail transaction  
39 privilege tax due

40 A. A person that is either a prime contractor subject to tax under  
41 section 42-5075 or a subcontractor working under the control of such a  
42 prime contractor, that purchases tangible personal property, the purchase  
43 price of which was excluded from the tax base under the retail  
44 classification under section 42-5061, subsection A, paragraph 27 or was  
45 excluded from the use tax under section 42-5159, subsection A, paragraph  
46 13, subdivision (g) at the time of purchase, and that incorporates or  
47 fabricates the tangible personal property into a project described in

1 section 42-5075, subsection ~~⊖~~ P is liable for an amount equal to any tax  
2 that a seller would have been required to pay under section 42-5061 and  
3 this article as follows:

4 1. The amount of liability shall be calculated and reported based  
5 on the location of the project and the taxes imposed under this chapter  
6 and chapter 6 of this title.

7 2. All deductions, exemptions and exclusions for the cost of  
8 tangible personal property provided in section 42-5075 apply to the  
9 tangible personal property incorporated or fabricated into the project.

10 3. This subsection does not apply to tangible personal property  
11 that is incorporated or fabricated into any project under a contract that  
12 would otherwise be excluded from the tax base under section 42-5075,  
13 without regard to section 42-5075, subsection ~~⊖~~ P.

14 4. The amount of liability shall be reported within the reporting  
15 period that includes the month in which the person incorporates or  
16 fabricates the tangible personal property into the project.

17 5. The person is not liable for the amount if the contractor who  
18 hired the person executes and provides to the person a certificate stating  
19 that the contractor providing the certificate is liable for any amount due  
20 under this subsection. The department shall prescribe the form of the  
21 certificate. If the person has reason to believe that the information  
22 contained on the certificate is erroneous or incomplete, the department  
23 may disregard the certificate. The contractor providing the certificate  
24 is liable for the amount that otherwise would be due from the person under  
25 this subsection.

26 B. A person that purchased tangible personal property, the purchase  
27 price of which was excluded from the tax base under section 42-5061,  
28 subsection A, paragraph 27 or was excluded from the use tax under section  
29 42-5159, subsection A, paragraph 13, subdivision (g) at the time of  
30 purchase, that subsequently cancels its transaction privilege tax license  
31 and that uses, consumes, sells or discards the tangible personal property  
32 is liable for an amount of tax determined under this subsection. For the  
33 purposes of this subsection:

34 1. If the tangible personal property is incorporated or fabricated  
35 into a project described in section 42-5075, subsection ~~⊖~~ P, or otherwise  
36 used or consumed by the person, the amount of liability shall be  
37 calculated and reported based on the person's purchase price of the  
38 tangible personal property, the location of the project, use or  
39 consumption and the taxes imposed under this chapter and chapter 6 of this  
40 title.

41 2. If the tangible personal property is sold in a manner that is  
42 not subject to tax under this chapter or is discarded, the amount shall be  
43 calculated and reported based on the payment received by the person, the  
44 location of the person's principal place of business in this state and the  
45 taxes imposed under this chapter and chapter 6 of this title.

1           3. The person is not liable under this subsection for any amount if  
2 the person discards the tangible personal property and does not receive  
3 payment of any kind.

4           4. The amount of liability shall be reported on or before the  
5 business day preceding the last business day of the month following the  
6 month in which the person uses the tangible personal property in a manner  
7 described in paragraph 1 or 2 of this subsection. No amount is due under  
8 this subsection at any time that the person stores the tangible personal  
9 property without using it in a manner described in paragraph 1 or 2 of  
10 this subsection.

11          5. All deductions, exemptions and exclusions for the cost of  
12 tangible personal property provided in section 42-5075 apply to the  
13 tangible personal property incorporated or fabricated into a project  
14 described in section 42-5075, subsection ~~⊖~~ P.

15          6. This subsection does not apply to tangible personal property  
16 that is incorporated or fabricated into any project under a contract that  
17 would otherwise be excluded from the tax base under section 42-5075,  
18 without regard to section 42-5075, subsection ~~⊖~~ P.

19          7. The person is not liable for the amount if the contractor who  
20 hired the person executes and provides to the person a certificate stating  
21 that the contractor providing the certificate is liable for any amount due  
22 under this subsection for tangible personal property incorporated or  
23 fabricated into a project described in section 42-5075, subsection ~~⊖~~ P.  
24 The department shall prescribe the form of the certificate. If the person  
25 has reason to believe that the information contained on the certificate is  
26 erroneous or incomplete, the department may disregard the certificate.  
27 The contractor providing the certificate is liable for the amount that  
28 otherwise would be due from the person under this subsection.

29          C. A person that fails to report or pay any amount due under  
30 subsection A or B of this section is liable for interest in a manner  
31 consistent with section 42-1123 and penalties in a manner consistent with  
32 section 42-1125.

33          D. If a person has paid an amount described in this section on  
34 tangible personal property that the person reasonably believed to be  
35 described ~~IN~~ section 42-5075, subsection ~~⊖~~ P and a final determination is  
36 made that section 42-5075, subsection ~~⊖~~ P does not apply, the person is  
37 entitled to an offset for the amount paid under this section against the  
38 amount of tax liability assessed under this chapter and chapter 6 of this  
39 title.

40          Sec. 4. Section 42-5009, Arizona Revised Statutes, is amended to  
41 read:

42           42-5009. Certificates establishing deductions; liability for  
43                   making false certificate; tax exclusion;  
44                   definitions

45          A. A person who conducts any business classified under article 2 of  
46 this chapter may establish entitlement to the allowable deductions from  
47 the tax base of that business by both:

1           1. Marking the invoice for the transaction to indicate that the  
2 gross proceeds of sales or gross income derived from the transaction was  
3 deducted from the tax base.

4           2. Obtaining a certificate executed by the purchaser indicating the  
5 name and address of the purchaser, the precise nature of the business of  
6 the purchaser, the purpose for which the purchase was made, the necessary  
7 facts to establish the appropriate deduction and the tax license number of  
8 the purchaser to the extent the deduction depends on the purchaser  
9 conducting business classified under article 2 of this chapter and a  
10 certification that the person executing the certificate is authorized to  
11 do so on behalf of the purchaser. The certificate may be disregarded if  
12 the seller has reason to believe that the information contained in the  
13 certificate is not accurate or complete.

14           B. A person who does not comply with subsection A of this section  
15 may establish entitlement to the deduction by presenting facts necessary  
16 to support the entitlement, but the burden of proof is on that person.

17           C. The department may prescribe a form for the certificate  
18 described in subsection A of this section. Under such rules as it may  
19 prescribe, the department may also describe transactions with respect to  
20 which a person is not entitled to rely solely on the information contained  
21 in the certificate provided for in subsection A of this section but must  
22 instead obtain such additional information as required by the rules in  
23 order to be entitled to the deduction.

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

38           E. If a seller is entitled to a deduction by complying with  
39 subsection B of this section, the department may require the purchaser to  
40 establish the accuracy and completeness of the information provided to the  
41 seller that entitled the seller to the deduction. If the purchaser cannot  
42 establish the accuracy and completeness of the information, the purchaser  
43 is liable in an amount equal to any tax, penalty and interest that the  
44 seller would have been required to pay under this article if the seller  
45 had not complied with subsection B of this section. Payment of the amount  
46 under this subsection exempts the purchaser from liability for any tax  
47 imposed under article 4 of this chapter. The amount shall be treated as

1 tax revenues collected from the seller in order to designate the  
2 distribution base for purposes of section 42-5029.

3 F. The department may prescribe a form for a certificate used to  
4 establish entitlement to the deductions described in section 42-5061,  
5 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3.  
6 Under rules the department may prescribe, the department may also require  
7 additional information for the seller to be entitled to the deduction. If  
8 a seller is entitled to the deductions described in section 42-5061,  
9 subsection A, paragraph 46 and section 42-5063, subsection B, paragraph 3,  
10 the department may require the purchaser who executed the certificate to  
11 establish the accuracy and completeness of the information contained in  
12 the certificate that would entitle the seller to the deduction. If the  
13 purchaser cannot establish the accuracy and completeness of the  
14 information, the purchaser is liable in an amount equal to any tax,  
15 penalty and interest that the seller would have been required to pay under  
16 this article. Payment of the amount under this subsection exempts the  
17 purchaser from liability for any tax imposed under article 4 of this  
18 chapter. The amount shall be treated as tax revenues collected from the  
19 seller in order to designate the distribution base for purposes of section  
20 42-5029.

21 G. If a seller claims a deduction under section 42-5061,  
22 subsection A, paragraph 25 and establishes entitlement to the deduction  
23 with an exemption letter that the purchaser received from the department  
24 and the exemption letter was based on a contingent event, the department  
25 may require the purchaser that received the exemption letter to establish  
26 the satisfaction of the contingent event within a reasonable time. If the  
27 purchaser cannot establish the satisfaction of the event, the purchaser is  
28 liable in an amount equal to any tax, penalty and interest that the seller  
29 would have been required to pay under this article if the seller had not  
30 been furnished the exemption letter. Payment of the amount under this  
31 subsection exempts the purchaser from liability for any tax imposed under  
32 article 4 of this chapter. The amount shall be treated as tax revenues  
33 collected from the seller in order to designate the distribution base for  
34 purposes of section 42-5029. For the purposes of this subsection,  
35 "reasonable time" means a time limitation that the department determines  
36 and that does not exceed the time limitations pursuant to section 42-1104.

37 H. The department shall prescribe forms for certificates used to  
38 establish the satisfaction of the criteria necessary to qualify the sale  
39 of a motor vehicle for the deductions described in section 42-5061,  
40 subsection A, paragraph 14, paragraph 28 and paragraph 44 and  
41 subsection ~~U~~ V. Except as provided in subsection J of this section, to  
42 establish entitlement to these deductions, a motor vehicle dealer shall  
43 retain:

44 1. A valid certificate as prescribed by this subsection completed  
45 by the purchaser and obtained before the issuance of the nonresident  
46 registration permit authorized by section 28-2154.



1           2. For the purposes of the deductions provided by section 42-5061,  
2 subsection A, paragraph 14, subdivision (b) and section 42-5061,  
3 subsection ~~U~~ V, a copy of the nonresident registration permit authorized  
4 by section 28-2154.

5           3. A legible copy of a current valid driver license issued to the  
6 purchaser by another state or foreign country that indicates an address  
7 outside of this state. For the sale of a motor vehicle to a nonresident  
8 entity, the entity's representative must have a current valid driver  
9 license issued by the same jurisdiction as that in which the entity is  
10 located.

11           4. For the purposes of the deduction provided by section 42-5061,  
12 subsection A, paragraph 14, subdivision (a), a certificate documenting the  
13 delivery of the motor vehicle to an out-of-state location.

14           I. Notwithstanding subsection A, paragraph 2 of this section, if a  
15 motor vehicle dealer has established entitlement to a deduction by  
16 complying with subsection H of this section, the department may require  
17 the purchaser who executed the certificate to establish the accuracy and  
18 completeness of the information contained in the certificate that entitled  
19 the motor vehicle dealer to the deduction. If the purchaser cannot  
20 establish the accuracy and completeness of the information, the purchaser  
21 is liable in an amount equal to any tax, penalty and interest that the  
22 motor vehicle dealer would have been required to pay under this article  
23 and under articles IV and V of the model city tax code as defined in  
24 section 42-6051. Payment of the amount under this subsection exempts the  
25 purchaser from liability for any tax imposed under article 4 of this  
26 chapter and any tax imposed under article VI of the model city tax code as  
27 defined in section 42-6051. The amount shall be treated as tax revenues  
28 collected from the motor vehicle dealer in order to designate the  
29 distribution base for purposes of section 42-5029.

30           J. To establish entitlement to the deduction described in section  
31 42-5061, subsection A, paragraph 44, a public consignment auction dealer  
32 as defined in section 28-4301 shall retain a copy of the certificate  
33 prescribed by subsection H of this section for its records.

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

37           L. The department shall prescribe a form for a certificate to be  
38 used by a person that is not subject to tax under section 42-5075 when the  
39 person is engaged by a contractor that is subject to tax under section  
40 42-5075 for a project that is taxable under section 42-5075. The  
41 certificate permits the person purchasing tangible personal property to be  
42 incorporated or fabricated by the person into any real property,  
43 structure, project, development or improvement to provide documentation to  
44 a retailer that the sale of tangible personal property qualifies for the  
45 deduction under section 42-5061, subsection A, paragraph 27,  
46 subdivision (b). A prime contractor shall obtain the certificate from the  
47 department and shall provide a copy to any such person working on the



1 project. The prime contractor shall obtain a new certificate for each  
2 project to which this subsection applies. For the purposes of this  
3 subsection, the following apply:

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

8 2. The department shall issue the certificate to the prime  
9 contractor on receiving sufficient documentation to establish that the  
10 prime contractor meets the requirements of this subsection.

11 3. If any person uses the certificate provided under this  
12 subsection to purchase tangible personal property to be used in a project  
13 that is not subject to tax under section 42-5075, the person is liable in  
14 an amount equal to any tax, penalty and interest that the seller would  
15 have been required to pay under this article if the seller had not  
16 complied with subsection A of this section. Payment of the amount under  
17 this section exempts the person from liability for any tax imposed under  
18 article 4 of this chapter. The amount shall be sourced under section  
19 42-5040, subsection A, paragraph 2.

20 M. Notwithstanding any other law, compliance with subsection L of  
21 this section by a person that is not subject to tax under section 42-5075  
22 entitles the person to the exemption allowed by section 465,  
23 subsection (k) of the model city tax code when purchasing tangible  
24 personal property to be incorporated or fabricated by the person into any  
25 real property, structure, project, development or improvement.

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

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

31 2. Persons who are engaged in the business of producing livestock  
32 or poultry commercially.

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

35 O. A vendor who has reason to believe that a certificate prescribed  
36 by this section is not accurate or complete will not be relieved of the  
37 burden of proving entitlement to the exemption. A vendor that accepts a  
38 certificate in good faith will be relieved of the burden of proof and the  
39 purchaser may be required to establish the accuracy of the claimed  
40 exemption. If the purchaser cannot establish the accuracy and  
41 completeness of the information provided in the certificate, the purchaser  
42 is liable for an amount equal to the transaction privilege tax, penalty  
43 and interest that the vendor would have been required to pay if the vendor  
44 had not accepted the certificate.

45 P. Notwithstanding any other law, an online lodging operator, as  
46 defined in section 42-5076, shall be entitled to an exclusion from any  
47 applicable taxes for any online lodging transaction, as defined in section

1 42-5076, facilitated by an online lodging marketplace, as defined in  
2 section 42-5076, for which the online lodging operator has obtained from  
3 the online lodging marketplace written notice that the online lodging  
4 marketplace is registered with the department to collect applicable taxes  
5 for all online lodging transactions facilitated by the online lodging  
6 marketplace, and transaction history documenting tax collected by the  
7 online lodging marketplace, pursuant to section 42-5005, subsection L.

8 Q. The department shall prescribe the form of a certificate to be  
9 used by a person purchasing an aircraft to document eligibility for a  
10 deduction pursuant to section 42-5061, subsection B, paragraph 8,  
11 subdivision (a), item (v) or an exemption pursuant to section 42-5159,  
12 subsection B, paragraph 8, subdivision (a), item (v), relating to  
13 aircraft. The person must provide this certificate and documentation  
14 confirming that the operational control of the aircraft has been  
15 transferred or will be transferred immediately after the purchase to one  
16 or more persons described in section 42-5061, subsection B, paragraph 8,  
17 subdivision (a), item (i), (ii), (iii) or (iv) or section 42-5159,  
18 subsection B, paragraph 8, subdivision (a), item (i), (ii), (iii) or (iv).  
19 Operational control of the aircraft must be transferred for at least fifty  
20 percent of the aircraft's flight hours. If such operational control is  
21 not transferred for at least fifty percent of the aircraft's flight hours  
22 during the recapture period, the owner of the aircraft is liable for an  
23 amount equal to any tax that the seller or purchaser would have been  
24 required to pay under this chapter at the time of the sale, plus penalty  
25 and interest. The recapture period begins on the date that operational  
26 control of the aircraft is first transferred and ends on the later of the  
27 date the aircraft is fully depreciated for federal income tax purposes or  
28 five years after operational control was first transferred. For the  
29 purposes of this subsection, operational control of the aircraft must be  
30 within the meaning of federal aviation administration operations  
31 specification A008, or its successor, except that:

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

37 2. If the aircraft is sold during the recapture period, the seller  
38 is not liable for the amount determined pursuant to this subsection unless  
39 the operational control of the aircraft had not been transferred for at  
40 least fifty percent of the aircraft's flight hours at the time of the  
41 sale.

42 R. Notwithstanding any other law, a shared vehicle owner is  
43 entitled to an exclusion from any applicable taxes for a shared vehicle  
44 transaction that is facilitated by a peer-to-peer car sharing program and  
45 for which the peer-to-peer car sharing program has collected and remitted  
46 applicable taxes.

1 S. A qualifying community health center, qualifying health care  
2 organization or qualifying hospital or any other entity that is recognized  
3 as nonprofit under section 501(c) of the United States internal revenue  
4 code and that is required to obtain an exemption letter from the  
5 department shall:

6 1. Apply to the department for the exemption letter and fully  
7 answer any eligibility questions required by the department for the  
8 purposes of the exemption letter. If the department approves the  
9 exemption letter application, the exemption letter is valid until the  
10 entity is no longer qualified for the exemption letter.

11 2. Notify the department in writing if the entity no longer  
12 qualifies for the exemption letter. Regardless of whether the entity  
13 notifies the department as required by this paragraph, if the entity no  
14 longer qualifies for the exemption letter, the entity is liable in an  
15 amount equal to any tax, penalty and interest that the seller would have  
16 been required to pay under this article if the seller had not been  
17 furnished the exemption letter. Payment of the amount under this  
18 paragraph exempts the entity from liability for any tax imposed under  
19 article 4 of this chapter. The amount shall be treated as tax revenues  
20 collected from the seller in order to designate the distribution base for  
21 the purposes of section 42-5029.

22 T. For the purposes of this section, "peer-to-peer car sharing  
23 program", "shared vehicle owner" and "shared vehicle transaction" have the  
24 same meanings prescribed in section 28-9601.

25 Sec. 5. Section 42-5029, Arizona Revised Statutes, is amended to  
26 read:

27 42-5029. Remission and distribution of monies; withholding;  
28 definition

29 A. The department shall deposit, pursuant to sections 35-146 and  
30 35-147, all revenues collected under this article and articles 4, 5 and 8  
31 of this chapter pursuant to section 42-1116, separately accounting for:

32 1. Payments of estimated tax under section 42-5014, subsection D.

33 2. Revenues collected pursuant to section 42-5070.

34 3. Revenues collected under this article and article 5 of this  
35 chapter from and after June 30, 2000 from sources located on Indian  
36 reservations in this state.

37 4. Revenues collected pursuant to section 42-5010, subsection G and  
38 section 42-5155, subsection D.

39 5. Revenues collected pursuant to section 42-5010.01 and section  
40 42-5155, subsection E.

41 6. Revenues collected pursuant to section 42-5061 from a remote  
42 seller.

43 B. The department shall credit payments of estimated tax to an  
44 estimated tax clearing account and each month shall transfer all monies in  
45 the estimated tax clearing account to a fund designated as the transaction  
46 privilege and severance tax clearing account. The department shall credit  
47 all other payments to the transaction privilege and severance tax clearing

1 account, separately accounting for the monies designated as distribution  
2 base under sections 42-5010, 42-5164 and 42-5205. Each month the  
3 department shall report to the state treasurer the amount of monies  
4 collected pursuant to this article and articles 4, 5 and 8 of this  
5 chapter.

6 C. On notification by the department, the state treasurer shall  
7 distribute the monies deposited in the transaction privilege and severance  
8 tax clearing account in the manner prescribed by this section and by  
9 sections 42-5164 and 42-5205, after deducting warrants drawn against the  
10 account pursuant to sections 42-1118 and 42-1254.

11 D. Of the monies designated as distribution base, the department  
12 shall:

13 1. Pay twenty-five percent to the various incorporated  
14 municipalities in this state in proportion to their population to be used  
15 by the municipalities for any municipal purpose, except a municipality  
16 shall use monies paid from revenues separately accounted for pursuant to  
17 subsection A, paragraph 6 of this section and paid pursuant to this  
18 paragraph for public safety before any other municipal purpose.

19 2. Pay 38.08 percent to the counties in this state by averaging the  
20 following proportions:

21 (a) The proportion that the population of each county bears to the  
22 total state population.

23 (b) The proportion that the distribution base monies collected  
24 during the calendar month in each county under this article, section  
25 42-5164, subsection B and section 42-5205, subsection B bear to the total  
26 distribution base monies collected under this article, section 42-5164,  
27 subsection B and section 42-5205, subsection B throughout the state for  
28 the calendar month.

29 3. Pay an additional 2.43 percent to the counties in this state as  
30 follows:

31 (a) Average the following proportions:

32 (i) The proportion that the assessed valuation used to determine  
33 secondary property taxes of each county, after deducting that part of the  
34 assessed valuation that is exempt from taxation at the beginning of the  
35 month for which the amount is to be paid, bears to the total assessed  
36 valuations used to determine secondary property taxes of all the counties  
37 after deducting that portion of the assessed valuations that is exempt  
38 from taxation at the beginning of the month for which the amount is to be  
39 paid. Property of a city or town that is not within or contiguous to the  
40 municipal corporate boundaries and from which water is or may be withdrawn  
41 or diverted and transported for use on other property is considered to be  
42 taxable property in the county for purposes of determining assessed  
43 valuation in the county under this item.

44 (ii) The proportion that the distribution base monies collected  
45 during the calendar month in each county under this article, section  
46 42-5164, subsection B and section 42-5205, subsection B bear to the total  
47 distribution base monies collected under this article, section 42-5164,

1 subsection B and section 42-5205, subsection B throughout this state for  
2 the calendar month.

3 (b) If the proportion computed under subdivision (a) of this  
4 paragraph for any county is greater than the proportion computed under  
5 paragraph 2 of this subsection, the department shall compute the  
6 difference between the amount distributed to that county under paragraph 2  
7 of this subsection and the amount that would have been distributed under  
8 paragraph 2 of this subsection using the proportion computed under  
9 subdivision (a) of this paragraph and shall pay that difference to the  
10 county from the amount available for distribution under this paragraph.  
11 Any monies remaining after all payments under this subdivision shall be  
12 distributed among the counties according to the proportions computed under  
13 paragraph 2 of this subsection.

14 4. After any distributions required by sections 42-5030,  
15 42-5030.01, 42-5031, 42-5032, 42-5032.01, ~~and~~ 42-5032.02 AND 42-5032.03  
16 and after making any transfer to the water quality assurance revolving  
17 fund as required by section 49-282, subsection B, credit the remainder of  
18 the monies designated as distribution base to the state general  
19 fund. From this amount the legislature shall annually appropriate to:

20 (a) The department of revenue, sufficient monies to administer and  
21 enforce this article and articles 5 and 8 of this chapter.

22 (b) The department of economic security, monies to be used for the  
23 purposes stated in title 46, chapter 1.

24 (c) The firearms safety and ranges fund established by section  
25 17-273, \$50,000 derived from the taxes collected from the retail  
26 classification pursuant to section 42-5061 for the current fiscal year.

27 E. If approved by the qualified electors voting at a statewide  
28 general election, all monies collected pursuant to section 42-5010,  
29 subsection G and section 42-5155, subsection D shall be distributed each  
30 fiscal year pursuant to this subsection. The monies distributed pursuant  
31 to this subsection are in addition to any other appropriation, transfer or  
32 other allocation of public or private monies from any other source and  
33 shall not supplant, replace or cause a reduction in other school district,  
34 charter school, university or community college funding sources. The  
35 monies shall be distributed as follows:

36 1. If there are outstanding state school facilities revenue bonds  
37 pursuant to title 15, chapter 16, article 7, each month one-twelfth of the  
38 amount that is necessary to pay the fiscal year's debt service on  
39 outstanding state school improvement revenue bonds for the current fiscal  
40 year shall be transferred each month to the school improvement revenue  
41 bond debt service fund established by section 15-2084. The total amount  
42 of bonds for which these monies may be allocated for the payment of debt  
43 service shall not exceed a principal amount of eight hundred million  
44 dollars exclusive of refunding bonds and other refinancing obligations.

45 2. After any transfer of monies pursuant to paragraph 1 of this  
46 subsection, twelve per cent of the remaining monies collected during the  
47 preceding month shall be transferred to the technology and research

1 initiative fund established by section 15-1648 to be distributed among the  
2 universities for the purpose of investment in technology and  
3 research-based initiatives.

4 3. After the transfer of monies pursuant to paragraph 1 of this  
5 subsection, three per cent of the remaining monies collected during the  
6 preceding month shall be transferred to the workforce development account  
7 established in each community college district pursuant to section 15-1472  
8 for the purpose of investment in workforce development programs.

9 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of  
10 this subsection, one-twelfth of the amount a community college that is  
11 owned, operated or chartered by a qualifying Indian tribe on its own  
12 Indian reservation would receive pursuant to section 15-1472, subsection  
13 D, paragraph 2 if it were a community college district shall be  
14 distributed each month to the treasurer or other designated depository of  
15 a qualifying Indian tribe. Monies distributed pursuant to this paragraph  
16 are for the exclusive purpose of providing support to one or more  
17 community colleges owned, operated or chartered by a qualifying Indian  
18 tribe and shall be used in a manner consistent with section 15-1472,  
19 subsection B. For the purposes of this paragraph, "qualifying Indian  
20 tribe" has the same meaning as defined in section 42-5031.01,  
21 subsection D.

22 5. After transferring monies pursuant to paragraphs 1, 2 and 3 of  
23 this subsection, one-twelfth of the following amounts shall be transferred  
24 each month to the department of education for the increased cost of basic  
25 state aid under section 15-971 due to added school days and associated  
26 teacher salary increases enacted in 2000:

27 (a) In fiscal year 2001-2002, \$15,305,900.

28 (b) In fiscal year 2002-2003, \$31,530,100.

29 (c) In fiscal year 2003-2004, \$48,727,700.

30 (d) In fiscal year 2004-2005, \$66,957,200.

31 (e) In fiscal year 2005-2006 and each fiscal year thereafter,  
32 \$86,280,500.

33 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of  
34 this subsection, seven million eight hundred thousand dollars is  
35 appropriated each fiscal year, to be paid in monthly installments, to the  
36 department of education to be used for school safety as provided in  
37 section 15-154 and two hundred thousand dollars is appropriated each  
38 fiscal year, to be paid in monthly installments to the department of  
39 education to be used for the character education matching grant program as  
40 provided in section 15-154.01.

41 7. After transferring monies pursuant to paragraphs 1, 2 and 3 of  
42 this subsection, no more than seven million dollars may be appropriated by  
43 the legislature each fiscal year to the department of education to be used  
44 for accountability purposes as described in section 15-241 and title 15,  
45 chapter 9, article 8.

46 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of  
47 this subsection, one million five hundred thousand dollars is appropriated

1 each fiscal year, to be paid in monthly installments, to the failing  
2 schools tutoring fund established by section 15-241.

3 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of  
4 this subsection, twenty-five million dollars shall be transferred each  
5 fiscal year to the state general fund to reimburse the general fund for  
6 the cost of the income tax credit allowed by section 43-1072.01.

7 10. After the payment of monies pursuant to paragraphs 1 through 9  
8 of this subsection, the remaining monies collected during the preceding  
9 month shall be transferred to the classroom site fund established by  
10 section 15-977. The monies shall be allocated as follows in the manner  
11 prescribed by section 15-977:

12 (a) Forty per cent shall be allocated for teacher compensation  
13 based on performance.

14 (b) Twenty per cent shall be allocated for increases in teacher  
15 base compensation and employee related expenses.

16 (c) Forty per cent shall be allocated for maintenance and operation  
17 purposes.

18 F. The department shall credit the remainder of the monies in the  
19 transaction privilege and severance tax clearing account to the state  
20 general fund, subject to any distribution required by section 42-5030.01.

21 G. Notwithstanding subsection D of this section, if a court of  
22 competent jurisdiction finally determines that tax monies distributed  
23 under this section were illegally collected under this article or articles  
24 5 and 8 of this chapter and orders the monies to be refunded to the  
25 taxpayer, the department shall compute the amount of such monies that was  
26 distributed to each city, town and county under this section. Each  
27 city's, town's and county's proportionate share of the costs shall be  
28 based on the amount of the original tax payment each municipality and  
29 county received. Each month the state treasurer shall reduce the amount  
30 otherwise distributable to the city, town and county under this section by  
31 1/36 of the total amount to be recovered from the city, town or county  
32 until the total amount has been recovered, but the monthly reduction for  
33 any city, town or county shall not exceed ten percent of the full monthly  
34 distribution to that entity. The reduction shall begin for the first  
35 calendar month after the final disposition of the case and shall continue  
36 until the total amount, including interest and costs, has been recovered.

37 H. On receiving a certificate of default from the greater Arizona  
38 development authority pursuant to section 41-2257 or 41-2258 and to the  
39 extent not otherwise expressly prohibited by law, the state treasurer  
40 shall withhold from the next succeeding distribution of monies pursuant to  
41 this section due to the defaulting political subdivision the amount  
42 specified in the certificate of default and immediately deposit the amount  
43 withheld in the greater Arizona development authority revolving fund. The  
44 state treasurer shall continue to withhold and deposit the monies until  
45 the greater Arizona development authority certifies to the state treasurer  
46 that the default has been cured. In no event may the state treasurer  
47 withhold any amount that the defaulting political subdivision certifies to



1 the state treasurer and the authority as being necessary to make any  
2 required deposits then due for the payment of principal and interest on  
3 bonds of the political subdivision that were issued before the date of the  
4 loan repayment agreement or bonds and that have been secured by a pledge  
5 of distributions made pursuant to this section.

6 I. Except as provided by sections 42-5033 and 42-5033.01, the  
7 population of a county, city or town as determined by the most recent  
8 United States decennial census plus any revisions to the decennial census  
9 certified by the United States bureau of the census shall be used as the  
10 basis for apportioning monies pursuant to subsection D of this section.

11 J. Except as otherwise provided by this subsection, on notice from  
12 the department of revenue pursuant to section 42-6010, subsection B, the  
13 state treasurer shall withhold from the distribution of monies pursuant to  
14 this section to the affected city or town the amount of the penalty for  
15 business location municipal tax incentives provided by the city or town to  
16 a business entity that locates a retail business facility in the city or  
17 town. The state treasurer shall continue to withhold monies pursuant to  
18 this subsection until the entire amount of the penalty has been withheld.  
19 The state treasurer shall credit any monies withheld pursuant to this  
20 subsection to the state general fund as provided by subsection D,  
21 paragraph 4 of this section. The state treasurer shall not withhold any  
22 amount that the city or town certifies to the department of revenue and  
23 the state treasurer as being necessary to make any required deposits or  
24 payments for debt service on bonds or other long-term obligations of the  
25 city or town that were issued or incurred before the location incentives  
26 provided by the city or town.

27 K. On notice from the auditor general pursuant to section 9-626,  
28 subsection D, the state treasurer shall withhold from the distribution of  
29 monies pursuant to this section to the affected city the amount computed  
30 pursuant to section 9-626, subsection D. The state treasurer shall  
31 continue to withhold monies pursuant to this subsection until the entire  
32 amount specified in the notice has been withheld. The state treasurer  
33 shall credit any monies withheld pursuant to this subsection to the state  
34 general fund as provided by subsection D, paragraph 4 of this section.

35 L. Except as otherwise provided by this subsection, on notice from  
36 the attorney general pursuant to section 41-194.01, subsection B,  
37 paragraph 1 that an ordinance, regulation, order or other official action  
38 adopted or taken by the governing body of a county, city or town violates  
39 state law or the Constitution of Arizona, the state treasurer shall  
40 withhold the distribution of monies pursuant to this section to the  
41 affected county, city or town and shall continue to withhold monies  
42 pursuant to this subsection until the attorney general certifies to the  
43 state treasurer that the violation has been resolved. The state treasurer  
44 shall redistribute the monies withheld pursuant to this subsection among  
45 all other counties, cities and towns in proportion to their population as  
46 provided by subsection D of this section. The state treasurer shall not  
47 withhold any amount that the county, city or town certifies to the

1 attorney general and the state treasurer as being necessary to make any  
2 required deposits or payments for debt service on bonds or other long-term  
3 obligations of the county, city or town that were issued or incurred  
4 before committing the violation.

5 M. For the purposes of this section, "community college district"  
6 means a community college district that is established pursuant to  
7 sections 15-1402 and 15-1403 and that is a political subdivision of this  
8 state and, unless otherwise specified, includes a community college  
9 tuition financing district established pursuant to section 15-1409.

10 Sec. 6. Title 42, chapter 5, article 1, Arizona Revised Statutes,  
11 is amended by adding section 42-5032.03, to read:

12 42-5032.03. Distribution of revenue for county stadium  
13 district

14 A. BEGINNING OCTOBER 1, 2025 AND EACH MONTH THEREAFTER, THE STATE  
15 TREASURER SHALL TRANSMIT, FROM THE AMOUNT DESIGNATED AS DISTRIBUTION BASE  
16 PURSUANT TO SECTION 42-5029, SUBSECTION D, THE AMOUNT DETERMINED UNDER  
17 SUBSECTION B OF THIS SECTION TO THE COUNTY STADIUM DISTRICT ESTABLISHED  
18 PURSUANT TO TITLE 48, CHAPTER 26 FOR DEPOSIT IN THE COUNTY STADIUM  
19 DISTRICT FUND ESTABLISHED PURSUANT TO SECTION 48-4231.

20 B. THE AMOUNT TO BE TRANSMITTED UNDER SUBSECTION A OF THIS SECTION  
21 IS THE TOTAL AMOUNT OF STATE TRANSACTION PRIVILEGE TAX REVENUES RECEIVED  
22 FROM PERSONS CONDUCTING BUSINESS UNDER THE RETAIL, AMUSEMENT, RESTAURANT  
23 AND PRIME CONTRACTING CLASSIFICATIONS AT, OR WITH RESPECT TO EVENTS HELD  
24 AT, A MAJOR LEAGUE BASEBALL FACILITY THAT IS OWNED AND OPERATED BY A  
25 COUNTY STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26.

26 Sec. 7. Section 42-5061, Arizona Revised Statutes, is amended to  
27 read:

28 42-5061. Retail classification; definitions

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

34 1. Professional or personal service occupations or businesses that  
35 involve sales or transfers of tangible personal property only as  
36 inconsequential elements.

37 2. Services rendered in addition to selling tangible personal  
38 property at retail.

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

42 4. Sales of tangible personal property by any nonprofit  
43 organization organized and operated exclusively for charitable purposes  
44 and recognized by the United States internal revenue service under section  
45 501(c)(3) of the internal revenue code.

- 1           5. Sales to persons engaged in business classified under the  
2 restaurant classification of articles used by human beings for food, drink  
3 or condiment, whether simple, mixed or compounded.
- 4           6. Business activity that is properly included in any other  
5 business classification that is taxable under this article.
- 6           7. The sale of stocks and bonds.
- 7           8. Drugs and medical oxygen, including delivery hose, mask or tent,  
8 regulator and tank, if prescribed by a member of the medical, dental or  
9 veterinarian profession who is licensed by law to administer such  
10 substances.
- 11          9. Prosthetic appliances as defined in section 23-501 and as  
12 prescribed or recommended by a health professional who is licensed  
13 pursuant to title 32, chapter 7, 8, 11, 13, 14, 15, 16, 17 or 29.
- 14          10. Insulin, insulin syringes and glucose test strips.
- 15          11. Prescription eyeglasses or contact lenses.
- 16          12. Hearing aids as defined in section 36-1901.
- 17          13. Durable medical equipment that has a centers for medicare and  
18 medicaid services common procedure code, is designated reimbursable by  
19 medicare, is prescribed by a person who is licensed under title 32,  
20 chapter 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is  
21 primarily and customarily used to serve a medical purpose, is generally  
22 not useful to a person in the absence of illness or injury and is  
23 appropriate for use in the home.
- 24          14. Sales of motor vehicles to nonresidents of this state for use  
25 outside this state if either of the following applies:
- 26           (a) The motor vehicle dealer ships or delivers the motor vehicle to  
27 a destination out of this state.
- 28           (b) The vehicle, trailer or semitrailer has a gross vehicle weight  
29 rating of more than ten thousand pounds, is used or maintained to  
30 transport property in the furtherance of interstate commerce and otherwise  
31 meets the definition of commercial motor vehicle as defined in section  
32 28-5201.
- 33          15. Food, as provided in and subject to the conditions of article 3  
34 of this chapter and sections 42-5074 and 42-6017.
- 35          16. Items purchased with United States department of agriculture  
36 coupons issued under the supplemental nutrition assistance program  
37 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;  
38 7 United States Code sections 2011 through 2036b) by the United States  
39 department of agriculture food and nutrition service or food instruments  
40 issued under section 17 of the child nutrition act (P.L. 95-627;  
41 92 Stat. 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States  
42 Code section 1786).
- 43          17. Textbooks by any bookstore that are required by any state  
44 university or community college.
- 45          18. Food and drink to a person that is engaged in a business that  
46 is classified under the restaurant classification and that provides such

1 food and drink without monetary charge to its employees for their own  
2 consumption on the premises during the employees' hours of employment.

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

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

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

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

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

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

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

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

39 22. Motor vehicle fuel and use fuel that are subject to a tax  
40 imposed under title 28, chapter 16, article 1, sales of use fuel to a  
41 holder of a valid single trip use fuel tax permit issued under section  
42 28-5739, sales of aviation fuel that are subject to the tax imposed under  
43 section 28-8344 and sales of jet fuel that are subject to the tax imposed  
44 under article 8 of this chapter.

45 23. Tangible personal property sold to a person engaged in the  
46 business of leasing or renting such property under the personal property

1 rental classification if such property is to be leased or rented by such  
2 person.

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

6 25. Tangible personal property sold to:

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

8 (b) A qualifying health care organization as defined in section  
9 42-5001 if the tangible personal property is used by the organization  
10 solely to provide health and medical related educational and charitable  
11 services.

12 (c) A qualifying health care organization as defined in section  
13 42-5001 if the organization is dedicated to providing educational,  
14 therapeutic, rehabilitative and family medical education training for  
15 blind and visually impaired children and children with multiple  
16 disabilities from the time of birth to age twenty-one.

17 (d) A qualifying community health center as defined in section  
18 42-5001.

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

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

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

32 (h) Any person representing or working on behalf of another person  
33 described in subdivisions (a) through (g) of this paragraph if the  
34 tangible personal property is incorporated or fabricated into a project  
35 described in section 42-5075, subsection ~~P~~ P.

36 26. Magazines or other periodicals or other publications by this  
37 state to encourage tourist travel.

38 27. Tangible personal property sold to:

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

44 (i) Incorporated or fabricated by the person into any real  
45 property, structure, project, development or improvement as part of the  
46 business.

1 (ii) Incorporated or fabricated by the person into any project  
2 described in section 42-5075, subsection ~~Q~~ P.

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

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

10 28. The sale of a motor vehicle to a nonresident of this state if  
11 the purchaser's state of residence does not allow a corresponding use tax  
12 exemption to the tax imposed by article 1 of this chapter and if the  
13 nonresident has secured a special ninety day nonresident registration  
14 permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01.

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

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

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

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

45 33. Sales of propagative materials to persons who use those items  
46 to commercially produce agricultural, horticultural, viticultural or

1 floricultural crops in this state. For the purposes of this paragraph,  
2 "propagative materials":

3 (a) Includes seeds, seedlings, roots, bulbs, liners, transplants,  
4 cuttings, soil and plant additives, agricultural minerals, auxiliary soil  
5 and plant substances, micronutrients, fertilizers, insecticides,  
6 herbicides, fungicides, soil fumigants, desiccants, rodenticides,  
7 adjuvants, plant nutrients and plant growth regulators.

8 (b) Except for use in commercially producing industrial hemp as  
9 defined in section 3-311, does not include any propagative materials used  
10 in producing any part, including seeds, of any plant of the genus  
11 cannabis.

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

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

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

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

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

46 39. Through December 31, 1994, personal property liquidation  
47 transactions, conducted by a personal property liquidator. From and after



1 December 31, 1994, personal property liquidation transactions shall be  
2 taxable under this section provided that nothing in this subsection shall  
3 be construed to authorize the taxation of casual activities or  
4 transactions under this chapter. For the purposes of this paragraph:

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

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

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

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

22 42. Sales of:

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

25 (b) Livestock and poultry feed, salts, vitamins and other additives  
26 for livestock or poultry consumption that are sold to persons for use or  
27 consumption by their own livestock or poultry, for use or consumption in  
28 the businesses of farming, ranching and producing or feeding livestock,  
29 poultry, or livestock or poultry products or for use or consumption in  
30 noncommercial boarding of livestock. For the purposes of this paragraph,  
31 "poultry" includes ratites.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

40           (b) "Curriculum design or enhancement" means planning, implementing  
41 or reporting on courses of study, lessons, assignments or other learning  
42 activities.

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

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

5           56. Sales or other transfers of renewable energy credits or any  
6 other unit created to track energy derived from renewable energy  
7 resources. For the purposes of this paragraph, "renewable energy credit"  
8 means a unit created administratively by the corporation commission or  
9 governing body of a public power utility to track kilowatt hours of  
10 electricity derived from a renewable energy resource or the kilowatt hour  
11 equivalent of conventional energy resources displaced by distributed  
12 renewable energy resources.

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

16           58. Sales of tangible personal property incorporated or fabricated  
17 into a project described in section 42-5075, subsection ~~⊖~~ P, that is  
18 located within the exterior boundaries of an Indian reservation for which  
19 the owner, as defined in section 42-5075, of the project is an Indian  
20 tribe or an affiliated Indian. For the purposes of this paragraph:

21           (a) "Affiliated Indian" means an individual Native American Indian  
22 who is duly registered on the tribal rolls of the Indian tribe for whose  
23 benefit the Indian reservation was established.

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

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

33           59. Sales of works of fine art, as defined in section 44-1771, at  
34 an art auction or gallery in this state to nonresidents of this state for  
35 use outside this state if the vendor ships or delivers the work of fine  
36 art to a destination outside this state.

37           60. Sales of tangible personal property by a marketplace seller  
38 that are facilitated by a marketplace facilitator in which the marketplace  
39 facilitator has remitted or will remit the applicable tax to the  
40 department pursuant to section 42-5014.

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

45           1. Machinery, or equipment, used directly in manufacturing,  
46 processing, fabricating, job printing, refining or metallurgical  
47 operations. The terms "manufacturing", "processing", "fabricating", "job

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

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

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

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

24         5. Machinery and equipment used directly for energy storage for  
25 later electrical use. For the purposes of this paragraph:

26         (a) "Electric utility scale" means a person that is engaged in a  
27 business activity described in section 42-5063, subsection A or such  
28 person's equipment or wholesale electricity suppliers.

29         (b) "Energy storage" means commercially available technology for  
30 electric utility scale that is capable of absorbing energy, storing energy  
31 for a period of time and thereafter dispatching the energy and that uses  
32 mechanical, chemical or thermal processes to store energy.

33         (c) "Machinery and equipment used directly" means all machinery and  
34 equipment that are used for electric energy storage from the point of  
35 receipt of such energy in order to facilitate storage of the electric  
36 energy to the point where the electric energy is released.

37         6. Neat animals, horses, asses, sheep, ratites, swine or goats used  
38 or to be used as breeding or production stock, including sales of  
39 breedings or ownership shares in such animals used for breeding or  
40 production.

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

45         8. Aircraft, navigational and communication instruments and other  
46 accessories and related equipment sold to:

47         (a) A person:

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

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

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

14 (iv) Operating an aircraft to transport persons in any manner for  
15 compensation or hire, or for use in a fractional ownership program that  
16 meets the requirements of federal aviation administration regulations  
17 (14 Code of Federal Regulations part 91, subpart K), including as an air  
18 carrier, a foreign air carrier or a commercial operator or under a  
19 restricted category, within the meaning of 14 Code of Federal Regulations,  
20 regardless of whether the operation or aircraft is regulated or certified  
21 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code  
22 of Federal Regulations.

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

28 (b) Any foreign government.

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

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

40 10. Railroad rolling stock, rails, ties and signal control  
41 equipment used directly to transport persons or property.

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

45 12. Buses or other urban mass transit vehicles that are used  
46 directly to transport persons or property for hire or pursuant to a  
47 governmentally adopted and controlled urban mass transportation program

1 and that are sold to bus companies holding a federal certificate of  
2 convenience and necessity or operated by any city, town or other  
3 governmental entity or by any person contracting with such governmental  
4 entity as part of a governmentally adopted and controlled program to  
5 provide urban mass transportation.

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

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

15 (a) "Off-highway vehicles" means off-highway vehicles as defined in  
16 section 28-1171 that are modified at the time of sale to function as a  
17 tractor or to tow tractor-drawn implements and that are not equipped with  
18 a modified exhaust system to increase horsepower or speed or an engine  
19 that is more than one thousand cubic centimeters or that have a maximum  
20 speed of fifty miles per hour or less.

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

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

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

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

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

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

1 (ii) Over two-thirds of the transmissions, measured in megabytes,  
2 transmitted by or on behalf of those direct broadcast television or data  
3 transmission services during the test period were transmitted by the  
4 facility to or on behalf of those services. For the purposes of  
5 subdivision (b) of this paragraph, "test period" means the three hundred  
6 sixty-five day period beginning on the later of the date on which the  
7 tangible personal property is purchased or the date on which the direct  
8 broadcast satellite television or data transmission service first  
9 transmits information to its customers.

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

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

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

27 18. Machinery and equipment used directly in feeding poultry,  
28 environmentally controlling housing for poultry, moving eggs within a  
29 production and packaging facility or sorting or cooling eggs. This  
30 exemption does not apply to vehicles used for transporting eggs.

31 19. Machinery or equipment, including related structural components  
32 and containment structures, that is employed in connection with  
33 manufacturing, processing, fabricating, job printing, refining, mining,  
34 natural gas pipelines, metallurgical operations, telecommunications,  
35 producing or transmitting electricity or research and development and that  
36 is used directly to meet or exceed rules or regulations adopted by the  
37 federal energy regulatory commission, the United States environmental  
38 protection agency, the United States nuclear regulatory commission, the  
39 Arizona department of environmental quality or a political subdivision of  
40 this state to prevent, monitor, control or reduce land, water or air  
41 pollution. For the purposes of this paragraph, "containment structure"  
42 means a structure that prevents, monitors, controls or reduces noxious or  
43 harmful discharge into the environment.

44 20. Machinery and equipment that are sold to a person engaged in  
45 commercially producing livestock, livestock products or agricultural,  
46 horticultural, viticultural or floricultural crops or products in this  
47 state, including a person representing or working on behalf of such a



1 person in a manner described in section 42-5075, subsection ~~P~~ P, if the  
2 machinery and equipment are used directly and primarily to prevent,  
3 monitor, control or reduce air, water or land pollution.

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

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

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

16       (c) Any machinery or equipment purchased after the television  
17 station has ceased analog broadcasting, or purchased after November 1,  
18 2009, whichever occurs first.

19       22. Qualifying equipment that is purchased from and after June 30,  
20 2004 through December 31, 2026 by a qualified business under section  
21 41-1516 for harvesting or processing qualifying forest products removed  
22 from qualifying projects as defined in section 41-1516. To qualify for  
23 this deduction, the qualified business at the time of purchase must  
24 present its certification approved by the department.

25       23. Computer data center equipment sold to the owner, operator or  
26 qualified colocation tenant of a computer data center that is certified by  
27 the Arizona commerce authority under section 41-1519 or an authorized  
28 agent of the owner, operator or qualified colocation tenant during the  
29 qualification period for use in the qualified computer data center. For  
30 the purposes of this paragraph, "computer data center", "computer data  
31 center equipment", "qualification period" and "qualified colocation  
32 tenant" have the same meanings prescribed in section 41-1519.

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

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

39       2. Janitorial equipment and hand tools.

40       3. Office equipment, furniture and supplies.

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

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

1           6. Shops, buildings, docks, depots and all other materials of  
2 whatever 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  
5 by a contractor in performing 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  
8 the gross proceeds of sales or gross income derived from sales of  
9 machinery, equipment, materials and other tangible personal property used  
10 directly and predominantly to construct a qualified environmental  
11 technology manufacturing, producing or processing facility as described in  
12 section 41-1514.02. This subsection applies for ten full consecutive  
13 calendar or fiscal years after the start of initial construction.

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

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

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

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

38           1. Agricultural producers who are owners, proprietors or tenants of  
39 agricultural lands, orchards, farms or gardens where agricultural products  
40 are grown, raised or prepared for market and who are marketing their own  
41 agricultural products.

42           2. Businesses classified under the:

43           (a) Transporting classification.

44           (b) Utilities classification.

45           (c) Telecommunications classification.

46           (d) Pipeline classification.

47           (e) Private car line classification.

- 1 (f) Publication classification.
- 2 (g) Job printing classification.
- 3 (h) Prime contracting classification.
- 4 (i) Restaurant classification.

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

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

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

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

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

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

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

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

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

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

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

46 N. In computing the tax base in the case of the sale or transfer of  
47 wireless telecommunications equipment as an inducement to a customer to

1 enter into or continue a contract for telecommunications services that are  
2 taxable under section 42-5064, gross proceeds of sales or gross income  
3 does not include any sales commissions or other compensation received by  
4 the retailer as a result of the customer entering into or continuing a  
5 contract for the telecommunications services.

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

12       P. Retail sales of prepaid calling cards or prepaid authorization  
13 numbers for telecommunications services, including sales of  
14 reauthorization of a prepaid card or authorization number, are subject to  
15 tax under this section.

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

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

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

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

28       1. The transfer of title or possession of the coal is for the  
29 purpose of refining the coal.

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

36       S. If a seller is entitled to a deduction pursuant to subsection B,  
37 paragraph 16, subdivision (b) of this section, the department may require  
38 the purchaser to establish that the requirements of subsection B,  
39 paragraph 16, subdivision (b) of this section have been satisfied. If the  
40 purchaser cannot establish that the requirements of subsection B,  
41 paragraph 16, subdivision (b) of this section have been satisfied, the  
42 purchaser is liable in an amount equal to any tax, penalty and interest  
43 that the seller would have been required to pay under article 1 of this  
44 chapter if the seller had not made a deduction pursuant to subsection B,  
45 paragraph 16, subdivision (b) of this section. Payment of the amount  
46 under this subsection exempts the purchaser from liability for any tax  
47 imposed under article 4 of this chapter and related to the tangible

1 personal property purchased. The amount shall be treated as transaction  
2 privilege tax to the purchaser and as tax revenues collected from the  
3 seller to designate the distribution base pursuant to section 42-5029.

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

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

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

13 U. FOR THE PURPOSES OF SECTION 42-5032.03, FROM AND AFTER  
14 SEPTEMBER 30, 2025, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES  
15 COLLECTED UNDER THE RETAIL CLASSIFICATION FROM BUSINESSES SELLING TANGIBLE  
16 PERSONAL PROPERTY AT RETAIL ON THE PREMISES OF A MAJOR LEAGUE BASEBALL  
17 FACILITY OWNED OR OPERATED BY A COUNTY STADIUM DISTRICT PURSUANT TO TITLE  
18 48, CHAPTER 26.

19 ~~U.~~ V. In computing the tax base for the sale of a motor vehicle to  
20 a nonresident of this state, if the purchaser's state of residence allows  
21 a 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  
26 permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01,  
27 there shall be deducted from the tax base a portion of the gross proceeds  
28 or gross income from the sale so that the amount of transaction privilege  
29 tax that is paid in this state is equal to the excise tax that is imposed  
30 by the purchaser's state of residence on the nonexempt sale or use of the  
31 motor vehicle.

32 ~~V.~~ W. For the purposes of this section:

33 1. "Agricultural aircraft" means an aircraft that is built for  
34 agricultural use for the aerial application of pesticides or fertilizer or  
35 for aerial seeding.

36 2. "Aircraft" includes:

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

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

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

46 4. "Selling at retail" means a sale for any purpose other than for  
47 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  
3 investigation to be in lieu of sales as defined without the words lease or  
4 rental.

5 ~~W.~~ X. For the purposes of subsection I of this section:

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

9 2. "Manufacturer" means a person who is principally engaged in  
10 fabricating, producing or manufacturing products, wares or articles for  
11 use from raw or prepared materials, imparting to those materials new  
12 forms, qualities, properties and combinations.

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

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

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

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

34 Sec. 8. Section 42-5073, Arizona Revised Statutes, is amended to  
35 read:

36 42-5073. Amusement classification

37 A. The amusement classification is comprised of the business of  
38 operating or conducting theaters, movies, operas, shows of any type or  
39 nature, exhibitions, concerts, carnivals, circuses, amusement parks,  
40 menageries, fairs, races, contests, games, billiard or pool parlors,  
41 bowling alleys, public dances, dance halls, boxing and wrestling matches,  
42 skating rinks, tennis courts, except as provided in subsection B of this  
43 section, video games, pinball machines or sports events or any other  
44 business charging admission or user fees for exhibition, amusement or  
45 entertainment, including the operation or sponsorship of events by a  
46 tourism and sports authority under title 5, chapter 8. For the purposes  
47 of this section, admission or user fees include, but are not limited to,

1 any revenues derived from any form of contractual agreement for rights to  
2 or use of premium or special seating facilities or arrangements. The  
3 amusement classification does not include:

4 1. Activities or projects of bona fide religious or educational  
5 institutions.

6 2. Private or group instructional activities. For the purposes of  
7 this paragraph, "private or group instructional activities" includes, but  
8 is not limited to, performing arts, martial arts, gymnastics and aerobic  
9 instruction.

10 3. The operation or sponsorship of events by the Arizona exposition  
11 and state fair board or county fair commissions.

12 4. A musical, dramatic or dance group or a botanical garden, museum  
13 or zoo that is qualified as a nonprofit charitable organization under  
14 section 501(c)(3) of the United States internal revenue code if no part of  
15 its net income inures to the benefit of any private shareholder or  
16 individual.

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

30 6. Operating or sponsoring rodeos that feature primarily farm and  
31 ranch animals in this state and that are sponsored, conducted or operated  
32 by a nonprofit organization that is exempt from taxation under section  
33 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the internal  
34 revenue code if no part of the organization's net earnings inures to the  
35 benefit of any private shareholder or individual.

36 7. Sales of admissions to intercollegiate football contests if the  
37 contests are both:

38 (a) Operated by a nonprofit organization that is exempt from  
39 taxation under section 501(c)(3) of the internal revenue code and no part  
40 of the organization's net earnings inures to the benefit of any private  
41 shareholder or individual.

42 (b) Not held in a multipurpose facility that is owned or operated  
43 by the tourism and sports authority pursuant to title 5, chapter 8.

44 8. Activities and events of, or fees and assessments received by, a  
45 homeowners organization from persons who are members of the organization  
46 or accompanied guests of members. For the purposes of this paragraph,  
47 "homeowners organization" means a mandatory membership organization

1 comprised of owners of residential property within a specified residential  
2 real estate subdivision development or similar area and established to own  
3 property for the benefit of its members where both of the following apply:

4 (a) No part of the organization's net earnings inures to the  
5 benefit of any private shareholder or individual.

6 (b) The primary purpose of the organization is to provide for the  
7 acquisition, construction, management, maintenance or care of organization  
8 property.

9 9. Activities and events of, or fees received by, a nonprofit  
10 organization that is exempt from taxation under section 501(c)(6) of the  
11 internal revenue code if the organization produces, organizes or promotes  
12 cultural or civic related festivals or events and no part of the  
13 organization's net earnings inures to the benefit of any private  
14 shareholder or individual.

15 10. Arranging an amusement activity as a service to a person's  
16 customers if that person is not otherwise engaged in the business of  
17 operating or conducting an amusement personally or through others. This  
18 exception does not apply to businesses that operate or conduct amusements  
19 pursuant to customer orders and send the billings and receive the payments  
20 associated with that activity, including when the amusement is performed  
21 by third-party independent contractors. For the purposes of this  
22 paragraph, "arranging" includes billing for or collecting amusement  
23 charges from a person's customers on behalf of the persons providing the  
24 amusement.

25 B. The tax base for the amusement classification is the gross  
26 proceeds of sales or gross income derived from the business, except that  
27 the following shall be deducted from the tax base:

28 1. The gross proceeds of sales or gross income derived from  
29 memberships, including initiation fees, that provide for the right to use  
30 a health or fitness establishment or a private recreational establishment,  
31 or any portion of an establishment, including tennis and other racquet  
32 courts at that establishment, for participatory purposes for twenty-eight  
33 days or more and fees charged for use of the health or fitness  
34 establishment or private recreational establishment by bona fide  
35 accompanied guests of members, except that this paragraph does not include  
36 additional fees, other than initiation fees, charged by a health or  
37 fitness establishment or a private recreational establishment for purposes  
38 other than memberships that provide for the right to use a health or  
39 fitness establishment or private recreational establishment, or any  
40 portion of an establishment, for participatory purposes for twenty-eight  
41 days or more and accompanied guest use fees.

42 2. Amounts that are exempt under section 5-111, subsection G.

43 3. The gross proceeds of sales or gross income derived from  
44 membership fees, including initiation fees, that provide for the right to  
45 use a transient lodging recreational establishment, including golf courses  
46 and tennis and other racquet courts at that establishment, for  
47 participatory purposes for twenty-eight days or more, except that this



1 paragraph does not include additional fees, other than initiation fees,  
2 that are charged by a transient lodging recreational establishment for  
3 purposes other than memberships and that provide for the right to use a  
4 transient lodging recreational establishment or any portion of the  
5 establishment for participatory purposes for twenty-eight days or more.

6 4. The gross proceeds of sales or gross income derived from sales  
7 to persons engaged in the business of transient lodging classified under  
8 section 42-5070, if all of the following apply:

9 (a) The persons who are engaged in the transient lodging business  
10 sell the amusement to another person for consideration.

11 (b) The consideration received by the transient lodging business is  
12 equal to or greater than the amount to be deducted under this subsection.

13 (c) The transient lodging business has provided an exemption  
14 certificate to the person engaging in business under this section.

15 5. The gross proceeds of sales or gross income derived from:

16 (a) Business activity that is properly included in any other  
17 business classification under this article and that is taxable to the  
18 person engaged in that classification, but the gross proceeds of sales or  
19 gross income to be deducted shall not exceed the consideration paid to the  
20 person conducting the activity.

21 (b) Business activity that is arranged by the person who is subject  
22 to tax under this section and that is not taxable to the person conducting  
23 the activity due to an exclusion, exemption or deduction under this  
24 section or section 42-5062, but the gross proceeds of sales or gross  
25 income to be deducted shall not exceed the consideration paid to the  
26 person conducting the activity.

27 (c) Business activity that is arranged by a person who is subject  
28 to tax under this section and that is taxable to another person under this  
29 section who conducts the activity, but the gross proceeds of sales or  
30 gross income to be deducted shall not exceed the consideration paid to the  
31 person conducting the activity.

32 6. The gross proceeds of sales or gross income derived from entry  
33 fees paid by participants for events that either:

34 (a) Until March 1, 2017, consist of a run, walk, swim or bicycle  
35 ride or a similar event, or any combination of these events.

36 (b) Are operated or conducted by nonprofit organizations that are  
37 exempt from taxation under section 501(c)(3) of the internal revenue code  
38 and of which no part of the organization's net earnings inures to the  
39 benefit of any private shareholder or individual, if the event consists of  
40 a run, walk, swim or bicycle ride or a similar event, or any combination  
41 of these events.

42 C. For the purposes of subsection B of this section:

43 1. "Health or fitness establishment" means a facility whose primary  
44 purpose is to provide facilities, equipment, instruction or education to  
45 promote the health and fitness of its members and at least eighty percent  
46 of the monthly gross revenue of the facility is received through accounts  
47 of memberships and accompanied guest use fees that provide for the right

1 to use the facility, or any portion of the facility, under the terms of  
2 the membership agreement for participatory purposes for twenty-eight days  
3 or more.

4       2. "Private recreational establishment" means a facility whose  
5 primary purpose is to provide recreational facilities, such as tennis,  
6 golf and swimming, for its members and where at least eighty percent of  
7 the monthly gross revenue of the facility is received through accounts of  
8 memberships and accompanied guest use fees that provide for the right to  
9 use the facility, or any portion of the facility, for participatory  
10 purposes for twenty-eight days or more.

11       3. "Transient lodging recreational establishment" means a facility  
12 whose primary purpose is to provide facilities for transient lodging, that  
13 is subject to taxation under this chapter and that also provides  
14 recreational facilities, such as tennis, golf and swimming, for members  
15 for a period of twenty-eight days or more.

16       D. Until December 31, 1988, the revenues from hayrides and other  
17 animal-drawn amusement rides, from horseback riding and riding instruction  
18 and from recreational tours using motor vehicles designed to operate on  
19 and off public highways are exempt from the tax imposed by this section.  
20 Beginning January 1, 1989, the gross proceeds or gross income from  
21 hayrides and other animal-drawn amusement rides, from horseback riding and  
22 from recreational tours using motor vehicles designed to operate on and  
23 off public highways are subject to taxation under this section. Tax  
24 liabilities, penalties and interest paid for taxable periods before  
25 January 1, 1989 shall not be refunded unless the taxpayer requesting the  
26 refund provides proof satisfactory to the department that the taxes will  
27 be returned to the customer.

28       E. If a person is engaged in the business of offering both  
29 exhibition, amusement or entertainment and private or group instructional  
30 activities, the person's books shall be kept to show separately the gross  
31 income from exhibition, amusement or entertainment and the gross income  
32 from instructional activities. If the books do not provide this separate  
33 accounting, the tax is imposed on the person's total gross income from the  
34 business.

35       F. The department shall separately account for revenues collected  
36 under the amusement classification for the purposes of section 42-5029,  
37 subsection D, paragraph 4, subdivision (b).

38       G. For the purposes of section 42-5032.01, the department shall  
39 separately account for revenues collected under the amusement  
40 classification from sales of admissions to:

41       1. Events that are held in a multipurpose facility that is owned or  
42 operated by the tourism and sports authority pursuant to title 5, chapter  
43 8, including intercollegiate football contests that are operated by a  
44 nonprofit organization that is exempt from taxation under section  
45 501(c)(3) of the internal revenue code.

1           2. Professional football contests that are held in a stadium  
2 located on the campus of an institution under the jurisdiction of the  
3 Arizona board of regents.

4           H. FOR THE PURPOSES OF SECTION 42-5032.03, FROM AND AFTER  
5 SEPTEMBER 30, 2025, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES  
6 COLLECTED UNDER THE AMUSEMENT CLASSIFICATION FROM THE SALES OF ADMISSIONS  
7 TO A MAJOR LEAGUE BASEBALL FACILITY OWNED OR OPERATED BY A COUNTY STADIUM  
8 DISTRICT PURSUANT TO TITLE 48, CHAPTER 26.

9           Sec. 9. Section 42-5074, Arizona Revised Statutes, is amended to  
10 read:

11           42-5074. Restaurant classification

12           A. The restaurant classification is comprised of the business of  
13 operating restaurants, dining cars, dining rooms, lunchrooms, mobile food  
14 units, lunch stands, soda fountains, catering services or similar  
15 establishments where articles of food or drink are sold for consumption on  
16 or off the premises.

17           B. The tax base for the restaurant classification is the gross  
18 proceeds of sales or gross income derived from the business. The gross  
19 proceeds of sales or gross income derived from the following shall be  
20 deducted from the tax base:

21           1. Sales to a person engaged in business classified under the  
22 restaurant classification if the items sold are to be resold in the  
23 regular course of the business.

24           2. Sales by a congressionally chartered veterans organization of  
25 food or drink prepared for consumption on the premises leased, owned or  
26 maintained by the organization.

27           3. Sales by churches, fraternal benefit societies and other  
28 nonprofit organizations, as these organizations are defined in the federal  
29 internal revenue code (26 United States Code section 501), that do not  
30 regularly engage or continue in the restaurant business for the purpose of  
31 fund-raising.

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

44           5. Sales at a rodeo featuring primarily farm and ranch animals in  
45 this state by a nonprofit organization that is exempt from taxation under  
46 section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the

1 internal revenue code if no part of the organization's net earnings inures  
2 to the benefit of any private shareholder or individual.

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

7         7. Sales to qualifying hospitals as defined in section 42-5001.

8         8. Sales to a qualifying health care organization as defined in  
9 section 42-5001 if the tangible personal property is used by the  
10 organization solely to provide health and medical related educational and  
11 charitable services.

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

16         10. Sales of articles of prepared or unprepared food, drink or  
17 condiment and accessory tangible personal property to a school district or  
18 charter school if the articles and accessory tangible personal property  
19 are served to persons for consumption on the premises of a public school  
20 in the school district or charter school during school hours.

21         11. Prepared food, drink or condiment donated by a restaurant to a  
22 nonprofit charitable organization that has qualified under section  
23 501(c)(3) of the internal revenue code and that regularly serves meals to  
24 the needy and indigent on a continuing basis at no cost.

25         12. Sales of articles of food and drink at low or reduced prices to  
26 eligible elderly or homeless persons or persons with a disability by a  
27 restaurant that contracts with the department of economic security and  
28 that is approved by the food and nutrition services of the United States  
29 department of agriculture pursuant to the supplemental nutrition  
30 assistance program established by the food and nutrition act of 2008  
31 (P.L. 110-246; 122 Stat. 1651; 7 United States Code sections 2011 through  
32 2036a), if the purchases of the articles of food and drink are made with  
33 the benefits issued pursuant to the supplemental nutrition assistance  
34 program.

35         C. The tax imposed on the restaurant classification pursuant to  
36 this section does not apply to the gross proceeds of sales or gross income  
37 from tangible personal property sold to a commercial airline consisting of  
38 food, beverages and condiments and accessories used for serving the food  
39 and beverages, if those items are to be provided without additional charge  
40 to passengers for consumption in flight. For the purposes of this  
41 subsection, "commercial airline" means a person holding a federal  
42 certificate of public convenience and necessity or foreign air carrier  
43 permit for air transportation to transport persons, property or United  
44 States mail in intrastate, interstate or foreign commerce.

45         D. The department shall separately account for revenues collected  
46 under the restaurant classification for the purposes of section 42-5029,  
47 subsection D, paragraph 4, subdivision (b).

1 E. For the purposes of section 42-5032.01, the department shall  
2 separately account for revenues collected under the restaurant  
3 classification from businesses operating restaurants, dining rooms,  
4 lunchrooms, lunch stands, soda fountains, catering services or similar  
5 establishments:

6 1. On the premises of a multipurpose facility that is owned or  
7 operated by the tourism and sports authority pursuant to title 5, chapter  
8 8 for consumption on or off the premises.

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

12 F. FOR THE PURPOSES OF SECTION 42-5032.03, FROM AND AFTER  
13 SEPTEMBER 30, 2025, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES  
14 COLLECTED UNDER THE RESTAURANT CLASSIFICATION FROM BUSINESSES OPERATING  
15 RESTAURANTS, DINING ROOMS, LUNCHROOMS, LUNCH STANDS, SODA FOUNTAINS,  
16 CATERING SERVICES OR SIMILAR ESTABLISHMENTS ON THE PREMISES OF A MAJOR  
17 LEAGUE BASEBALL FACILITY OWNED OR OPERATED BY A COUNTY STADIUM DISTRICT  
18 PURSUANT TO TITLE 48, CHAPTER 26.

19 Sec. 10. Section 42-5075, Arizona Revised Statutes, is amended to  
20 read:

21 42-5075. Prime contracting classification; exemptions;  
22 definitions

23 A. The prime contracting classification is comprised of the  
24 business of prime contracting and the business of manufactured building  
25 dealer. Sales for resale to another manufactured building dealer are not  
26 subject to tax. Sales for resale do not include sales to a lessor of  
27 manufactured buildings. The sale of a used manufactured building is not  
28 taxable under this chapter. The prime contracting classification does not  
29 include any work or operation performed by a person that is not required  
30 to be licensed by the registrar of contractors pursuant to section  
31 32-1121.

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

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

38 2. Sales and installation of groundwater measuring devices required  
39 under section 45-604 and groundwater monitoring wells required by law,  
40 including monitoring wells installed for acquiring information for a  
41 permit required by law.

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

1           4. The gross proceeds of sales or gross income received from a  
2 contract entered into for the modification of any building, highway, road,  
3 railroad, excavation, manufactured building or other structure, project,  
4 development or improvement located in a military reuse zone for providing  
5 aviation or aerospace services or for a manufacturer, assembler or  
6 fabricator of aviation or aerospace products within an active military  
7 reuse zone after the zone is initially established or renewed under  
8 section 42-1301. To be eligible to qualify for this deduction, before  
9 beginning work under the contract, the prime contractor must have applied  
10 for a letter of qualification from the department of revenue.

11           5. The gross proceeds of sales or gross income derived from a  
12 contract to construct a qualified environmental technology manufacturing,  
13 producing or processing facility, as described in section 41-1514.02, and  
14 from subsequent construction and installation contracts that begin within  
15 ten years after the start of initial construction. To qualify for this  
16 deduction, before beginning work under the contract, the prime contractor  
17 must obtain a letter of qualification from the department of revenue. This  
18 paragraph shall apply for ten full consecutive calendar or fiscal years  
19 after the start of initial construction.

20           6. The gross proceeds of sales or gross income from a contract to  
21 provide for one or more of the following actions, or a contract for site  
22 preparation, constructing, furnishing or installing machinery, equipment  
23 or other tangible personal property, including structures necessary to  
24 protect exempt incorporated materials or installed machinery or equipment,  
25 and tangible personal property incorporated into the project, to perform  
26 one or more of the following actions in response to a release or suspected  
27 release of a hazardous substance, pollutant or contaminant from a facility  
28 to the environment, unless the release was authorized by a permit issued  
29 by a governmental authority:

30           (a) Actions to monitor, assess and evaluate such a release or a  
31 suspected release.

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

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

37           (d) Pumping and treatment or in situ treatment of contaminated  
38 groundwater or surface water to reduce the concentration or toxicity of a  
39 contaminant.

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

44 This paragraph does not include asbestos removal or the construction or  
45 use of ancillary structures such as maintenance sheds, offices or storage  
46 facilities for unattached equipment, pollution control equipment,

1 facilities or other control items required or to be used by a person to  
2 prevent or control contamination before it reaches the environment.

3         7. The gross proceeds of sales or gross income that is derived from  
4 a contract for the installation, assembly, repair or maintenance of  
5 machinery, equipment or other tangible personal property that is either  
6 deducted from the tax base of the retail classification under section  
7 42-5061, subsection B or that is exempt from use tax under section  
8 42-5159, subsection B and that has independent functional utility,  
9 pursuant to the following provisions:

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

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

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

18             (iii) Any activity that is related to the activities described in  
19 items (i) and (ii) of this subdivision, including inspecting the  
20 installation of or testing the machinery, equipment or other tangible  
21 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 that is either deducted from the tax base of the retail  
28 classification under section 42-5061, subsection B or exempt from use tax  
29 under section 42-5159, subsection B.

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

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

37             (i) Assembling the machinery, equipment or other tangible personal  
38 property.

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

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

44             (iv) Stabilizing or protecting the machinery, equipment or other  
45 tangible personal property during operation by bolting, burying or  
46 performing other similar nonpermanent connections to either real property  
47 or real property improvements.

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

4           (a) Section 42-5061, subsection A, paragraph 25, 29 or 58.

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

6           (c) Section 42-5159, subsection A, paragraph 13, subdivision (a),  
7 (b), (c), (d), (e), (f), (j), (k), (m) or (n) or paragraph 55.

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

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

13           10. The gross proceeds of sales or gross income that is derived  
14 from a contract entered into with a person who is engaged in the  
15 commercial production of livestock, livestock products or agricultural,  
16 horticultural, viticultural or floricultural crops or products in this  
17 state for the modification of any building, highway, road, excavation,  
18 manufactured building or other structure, project, development or  
19 improvement used directly and primarily to prevent, monitor, control or  
20 reduce air, water or land pollution.

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

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

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

39           14. The gross proceeds of sales or gross income derived from a  
40 contract entered into for the construction of a launch site, as defined in  
41 14 Code of Federal Regulations section 401.5.

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



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

4           17. The gross proceeds of sales or gross income received from  
5 contracts entered into before July 1, 2006 for constructing a state  
6 university research infrastructure project if the project has been  
7 reviewed by the joint committee on capital review before the university  
8 enters into the construction contract for the project. For the purposes  
9 of this paragraph, "research infrastructure" has the same meaning  
10 prescribed in section 15-1670.

11           18. The gross proceeds of sales or gross income received from a  
12 contract for the construction of any building, or other structure,  
13 project, development or improvement owned by a qualified business under  
14 section 41-1516 for harvesting or processing qualifying forest products  
15 removed from qualifying projects as defined in section 41-1516 if actual  
16 construction begins before January 1, 2024. To qualify for this  
17 deduction, the prime contractor must obtain a letter of qualification from  
18 the Arizona commerce authority before beginning work under the contract.

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

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

26           (b) The attributable amount is equal to the total amount of  
27 development fees paid by the prime contractor or subcontractor, and the  
28 total development fees credited in exchange for the construction of,  
29 contribution to or dedication of real property for providing public  
30 infrastructure, public safety or other public services necessary to the  
31 development. The real property must be the subject of the development  
32 fees.

33           (c) "Development fees" means fees imposed to offset capital costs  
34 of providing public infrastructure, public safety or other public services  
35 to a development and authorized pursuant to section 9-463.05, section  
36 11-1102 or title 48 regardless of the jurisdiction to which the fees are  
37 paid.

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

43           (a) "Mixed waste processing facility" means a solid waste facility  
44 that is owned, operated or used for the treatment, processing or disposal  
45 of solid waste, recyclable solid waste, very small quantity generator  
46 waste or household hazardous waste. For the purposes of this subdivision,  
47 "very small quantity generator waste", "household hazardous waste" and

1 "solid waste facility" have the same meanings prescribed in section  
2 49-701, except that solid waste facility does include a site that stores,  
3 treats or processes paper, glass, wood, cardboard, household textiles,  
4 scrap metal, plastic, vegetative waste, aluminum, steel or other  
5 recyclable material.

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

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

11 (d) "Renewable energy" means usable energy, including electricity,  
12 fuels, gas and heat, produced through the conversion of energy provided by  
13 sunlight, water, wind, geothermal, heat, biomass, biogas, landfill gas or  
14 another nonfossil renewable resource.

15 21. The gross proceeds of sales or gross income derived from a  
16 contract to install containment structures. For the purposes of this  
17 paragraph, "containment structure" means a structure that prevents,  
18 monitors, controls or reduces noxious or harmful discharge into the  
19 environment.

20 C. Entitlement to the deduction pursuant to subsection B, paragraph  
21 7 of this section is subject to the following provisions:

22 1. A prime contractor may establish entitlement to the deduction by  
23 both:

24 (a) Marking the invoice for the transaction to indicate that the  
25 gross proceeds of sales or gross income derived from the transaction was  
26 deducted from the base.

27 (b) Obtaining a certificate executed by the purchaser indicating  
28 the name and address of the purchaser, the precise nature of the business  
29 of the purchaser, the purpose for which the purchase was made, the  
30 necessary facts to establish the deductibility of the property under  
31 section 42-5061, subsection B, and a certification that the person  
32 executing the certificate is authorized to do so on behalf of the  
33 purchaser. The certificate may be disregarded if the prime contractor has  
34 reason to believe that the information contained in the certificate is not  
35 accurate or complete.

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

39 3. The department may prescribe a form for the certificate  
40 described in paragraph 1, subdivision (b) of this subsection. The  
41 department may also adopt rules that describe the transactions with  
42 respect to which a person is not entitled to rely solely on the  
43 information contained in the certificate provided in paragraph 1,  
44 subdivision (b) of this subsection but must instead obtain such additional  
45 information as required in order to be entitled to the deduction.

46 4. If a prime contractor is entitled to a deduction by complying  
47 with paragraph 1 of this subsection, the department may require the

1 purchaser who caused the execution of the certificate to establish the  
2 accuracy and completeness of the information required to be contained in  
3 the certificate that would entitle the prime contractor to the deduction.  
4 If the purchaser cannot establish the accuracy and completeness of the  
5 information, the purchaser is liable in an amount equal to any tax,  
6 penalty and interest that the prime contractor would have been required to  
7 pay under article 1 of this chapter if the prime contractor had not  
8 complied with paragraph 1 of this subsection. Payment of the amount under  
9 this paragraph exempts the purchaser from liability for any tax imposed  
10 under article 4 of this chapter. The amount shall be treated as a  
11 transaction privilege tax to the purchaser and as tax revenues collected  
12 from the prime contractor in order to designate the distribution base for  
13 purposes of section 42-5029.

14 D. Subcontractors or others who perform modification activities are  
15 not subject to tax if they can demonstrate that the job was within the  
16 control of a prime contractor or contractors or a dealership of  
17 manufactured buildings and that the prime contractor or dealership is  
18 liable for the tax on the gross income, gross proceeds of sales or gross  
19 receipts attributable to the job and from which the subcontractors or  
20 others were paid.

21 E. Amounts received by a contractor for a project are excluded from  
22 the contractor's gross proceeds of sales or gross income derived from the  
23 business if the person who hired the contractor executes and provides a  
24 certificate to the contractor stating that the person providing the  
25 certificate is a prime contractor and is liable for the tax under article  
26 1 of this chapter. The department shall prescribe the form of the  
27 certificate. If the contractor has reason to believe that the information  
28 contained on the certificate is erroneous or incomplete, the department  
29 may disregard the certificate. If the person who provides the certificate  
30 is not liable for the tax as a prime contractor, that person is  
31 nevertheless deemed to be the prime contractor in lieu of the contractor  
32 and is subject to the tax under this section on the gross receipts or  
33 gross proceeds received by the contractor.

34 F. Every person engaging or continuing in this state in the  
35 business of prime contracting or dealership of manufactured buildings  
36 shall present to the purchaser of such prime contracting or manufactured  
37 building a written receipt of the gross income or gross proceeds of sales  
38 from such activity and shall separately state the taxes to be paid  
39 pursuant to this section.

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

46 H. For the purposes of section 42-5032.02, from and after  
47 September 30, 2013, the department shall separately account for revenues

1 reported and collected under the prime contracting classification from any  
2 prime contractor engaged in the construction of any buildings and  
3 associated improvements that are for the benefit of a manufacturing  
4 facility. For the purposes of this subsection, "associated improvements"  
5 and "manufacturing facility" have the same meanings prescribed in section  
6 42-5032.02.

7 I. FOR THE PURPOSES OF SECTION 42-5032.02, FROM AND AFTER  
8 SEPTEMBER 30, 2025, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES  
9 REPORTED AND COLLECTED UNDER THE PRIME CONTRACTING CLASSIFICATION FROM ANY  
10 PRIME CONTRACTOR ENGAGED IN THE CONSTRUCTION OF ANY BUILDINGS AND  
11 ASSOCIATED IMPROVEMENTS THAT ARE FOR THE BENEFIT OF A MAJOR LEAGUE  
12 BASEBALL FACILITY OWNED AND OPERATED BY A COUNTY STADIUM DISTRICT PURSUANT  
13 TO TITLE 48, CHAPTER 26.

14 ~~I.~~ J. The gross proceeds of sales or gross income derived from a  
15 contract for lawn maintenance services is not subject to tax under this  
16 section if the contract does not include landscaping activities. Lawn  
17 maintenance service is a service pursuant to section 42-5061, subsection  
18 A, paragraph 1, and includes lawn mowing and edging, weeding, repairing  
19 sprinkler heads or drip irrigation heads, seasonal replacement of flowers,  
20 refreshing gravel, lawn dethatching, seeding winter lawns, leaf and debris  
21 collection and removal, tree or shrub pruning or clipping, garden and  
22 gravel raking and applying pesticides, as defined in section 3-361, and  
23 fertilizer materials, as defined in section 3-262.

24 ~~J.~~ K. Except as provided in subsection ~~P~~ P of this section, the  
25 gross proceeds of sales or gross income derived from landscaping  
26 activities is subject to tax under this section. Landscaping includes  
27 installing lawns, grading or leveling ground, installing gravel or  
28 boulders, planting trees and other plants, felling trees, removing or  
29 mulching tree stumps, removing other imbedded plants, building irrigation  
30 berms, installing railroad ties and installing underground sprinkler or  
31 watering systems.

32 ~~K.~~ L. The portion of gross proceeds of sales or gross income  
33 attributable to the actual direct costs of providing architectural or  
34 engineering services that are incorporated in a contract is not subject to  
35 tax under this section. For the purposes of this subsection, "direct  
36 costs" means the portion of the actual costs that are directly expended in  
37 providing architectural or engineering services.

38 ~~L.~~ M. Operating a landfill or a solid waste disposal facility is  
39 not subject to taxation under this section, including filling, compacting  
40 and creating vehicle access to and from cell sites within the landfill.  
41 Constructing roads to a landfill or solid waste disposal facility and  
42 constructing cells within a landfill or solid waste disposal facility may  
43 be deemed prime contracting under this section.

44 ~~M.~~ N. The following apply in determining the taxable situs of  
45 sales of manufactured buildings:

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

4           2. For sales in this state where the manufactured building dealer  
5 does not contract to deliver the building to a setup site or does not  
6 perform the setup, the taxable situs is the location of the dealership  
7 where the building is delivered to the buyer.

8           3. For sales in this state where the manufactured building dealer  
9 contracts to deliver the building to a setup site that is outside this  
10 state, the situs is outside this state and the transaction is excluded  
11 from tax.

12           ~~N~~. 0. The gross proceeds of sales or gross income attributable to  
13 a written contract for design phase services or professional services,  
14 executed before modification begins and with terms, conditions and pricing  
15 of all of these services separately stated in the contract from those for  
16 construction phase services, is not subject to tax under this section,  
17 regardless of whether the services are provided sequential to or  
18 concurrent with prime contracting activities that are subject to tax under  
19 this section. This subsection does not include the gross proceeds of  
20 sales or gross income attributable to construction phase services. For  
21 the purposes of this subsection:

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

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

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

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

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

38           (ii) The amount of an adjustment, if any, to the guaranteed maximum  
39 price as set in the contract for modification work. For the purposes of  
40 this item, "guaranteed maximum price" means the amount guaranteed to be  
41 the maximum amount due to a prime contractor for the performance of all  
42 modification work for the project.

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

45           (d) Administration or supervision of any modification performed  
46 pursuant to change directives. For the purposes of this subdivision,  
47 "change directive" means a written order directing a change in

1 modification work before agreement on an adjustment of the guaranteed  
2 maximum price or contract time.

3 (e) Inspection to determine the dates of substantial completion or  
4 final completion.

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

11 (g) Preparation of status reports after modification work has begun  
12 detailing the progress of work performed, including preparation of any of  
13 the following:

14 (i) Master schedule updates.

15 (ii) Modification work cash flow projection updates.

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

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

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

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

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

25 (j) Administration or supervision of any other activities for which  
26 a prime contractor receives a certificate for payment or certificate for  
27 final payment based on the progress of modification work performed on the  
28 project.

29 2. "Design phase services" means services for developing and  
30 completing a design for a project that are not construction phase  
31 services, including the following:

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

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

38 (c) Preparing drawings and specifications for architectural program  
39 documents, schematic design documents, design development documents,  
40 modification work documents or documents that identify the scope of or  
41 materials for the project.

42 (d) Preparing an initial schedule for the project, excluding the  
43 preparation of updates to the master schedule after modification work has  
44 begun.

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

1 (i) Labor, materials, machinery and equipment, tools, water, heat,  
2 utilities, transportation and other facilities and services used in the  
3 execution and completion of modification work, regardless of whether they  
4 are temporary or permanent or whether they are incorporated in the  
5 modifications.

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

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

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

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

16 (vi) Any bond and insurance premiums.

17 (vii) Any applicable taxes.

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

20 (f) Reviewing and evaluating cost estimates and project documents  
21 to prepare recommendations on site use, site improvements, selection of  
22 materials, building systems and equipment, modification feasibility,  
23 availability of materials and labor, local modification activity as  
24 related to schedules and time requirements for modification work.

25 (g) Preparing the plan and procedures for selection of  
26 subcontractors, including any prequalification of subcontractor  
27 candidates.

28 3. "Professional services" means architect services, engineer  
29 services, geologist services, land surveying services or landscape  
30 architect services that are within the scope of those services as provided  
31 in title 32, chapter 1 and for which gross proceeds of sales or gross  
32 income has not otherwise been deducted under subsection ~~←~~ L of this  
33 section.

34 ~~0-~~ P. The gross proceeds of sales or gross income derived from a  
35 contract with the owner of real property or improvements to real property  
36 for the maintenance, repair, replacement or alteration of existing  
37 property is not subject to tax under this section if the contract does not  
38 include modification activities, except as specified in this subsection.  
39 The gross proceeds of sales or gross income derived from a de minimis  
40 amount of modification activity does not subject the contract or any part  
41 of the contract to tax under this section. For the purposes of this  
42 subsection:

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

46 2. Each contract is independent of any other contract, except that  
47 any change order that directly relates to the scope of work of the

1 original contract shall be treated the same as the original contract under  
2 this chapter, regardless of the amount of modification activities included  
3 in the change order. If a change order does not directly relate to the  
4 scope of work of the original contract, the change order shall be treated  
5 as a new contract, with the tax treatment of any subsequent change order  
6 to follow the tax treatment of the contract to which the scope of work of  
7 the subsequent change order directly relates.

8 ~~P.~~ Q. Notwithstanding subsection ~~Q~~ P of this section, a contract  
9 that primarily involves surface or subsurface improvements to land and  
10 that is subject to title 28, chapter 19, 20 or 22 or title 34, chapter 2  
11 or 6 is taxable under this section, even if the contract also includes  
12 vertical improvements. Agencies that are subject to procurement processes  
13 under those provisions shall include in the request for proposals a notice  
14 to bidders when those projects are subject to this section. This  
15 subsection does not apply to contracts with:

16 1. Community facilities districts, fire districts, county  
17 television improvement districts, community park maintenance districts,  
18 cotton pest control districts, hospital districts, pest abatement  
19 districts, health service districts, agricultural improvement districts,  
20 county free library districts, county jail districts, county stadium  
21 districts, special health care districts, public health services  
22 districts, theme park districts or revitalization districts.

23 2. Any special taxing district not specified in paragraph 1 of this  
24 subsection if the district does not substantially engage in the  
25 modification, maintenance, repair, replacement or alteration of surface or  
26 subsurface improvements to land.

27 ~~Q.~~ R. Notwithstanding subsection ~~R~~ S, paragraph 10 of this  
28 section, a person owning real property who enters into a contract for sale  
29 of the real property, who is responsible to the new owner of the property  
30 for modifications made to the property in the period subsequent to the  
31 transfer of title and who receives a consideration for the modifications  
32 is considered a prime contractor solely for purposes of taxing the gross  
33 proceeds of sale or gross income received for the modifications made  
34 subsequent to the transfer of title. The original owner's gross proceeds  
35 of sale or gross income received for the modifications shall be determined  
36 according to the following methodology:

37 1. If any part of the contract for sale of the property specifies  
38 amounts to be paid to the original owner for the modifications to be made  
39 in the period subsequent to the transfer of title, the amounts are  
40 included in the original owner's gross proceeds of sale or gross income  
41 under this section. Proceeds from the sale of the property that are  
42 received after transfer of title and that are unrelated to the  
43 modifications made subsequent to the transfer of title are not considered  
44 gross proceeds of sale or gross income from the modifications.

45 2. If the original owner enters into an agreement separate from the  
46 contract for sale of the real property providing for amounts to be paid to  
47 the original owner for the modifications to be made in the period



1 subsequent to the transfer of title to the property, the amounts are  
2 included in the original owner's gross proceeds of sale or gross income  
3 received for the modifications made subsequent to the transfer of title.

4         3. If the original owner is responsible to the new owner for  
5 modifications made to the property in the period subsequent to the  
6 transfer of title and derives any gross proceeds of sale or gross income  
7 from the project subsequent to the transfer of title other than a delayed  
8 disbursement from escrow unrelated to the modifications, it is presumed  
9 that the amounts are received for the modifications made subsequent to the  
10 transfer of title unless the contrary is established by the owner through  
11 its books, records and papers kept in the regular course of business.

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

14         ~~R.~~ S. For the purposes of this section:

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

17         (a) For existing property that is properly classified as class two  
18 property under section 42-12002, paragraph 1, subdivision (c) or paragraph  
19 2, subdivision (c) and that is used for residential purposes, class three  
20 property under section 42-12003 or class four property under section  
21 42-12004, this paragraph does not apply if the contract amount is more  
22 than twenty-five percent of the most recent full cash value established  
23 under chapter 13, article 2 of this title as of the date of any bid for  
24 the work or the date of the contract, whichever value is higher.

25         (b) For all existing property other than existing property  
26 described in subdivision (a) of this paragraph, this paragraph does not  
27 apply if the contract amount is more than \$750,000.

28         (c) Project elements may not be artificially separated from a  
29 contract to cause a project to qualify as an alteration. The department  
30 has the burden of proof that project elements have been artificially  
31 separated from a contract.

32         (d) If a project for which the owner and the person performing the  
33 work reasonably believed, at the inception of the contract, would be  
34 treated as an alteration under this paragraph and, on completion of the  
35 project, the project exceeded the applicable threshold described in either  
36 subdivision (a) or (b) of this paragraph by not more than twenty-five  
37 percent of the applicable threshold for any reason, the work performed  
38 under the contract qualifies as an alteration.

39         (e) A change order that directly relates to the scope of work of  
40 the original contract shall be treated as part of the original contract,  
41 and the contract amount shall include any amount attributable to a change  
42 order that directly relates to the scope of work of the original contract.

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

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

45         3. "Contractor" is synonymous with the term "builder" and means any  
46 person or organization that undertakes to or offers to undertake to, or  
47 purports to have the capacity to undertake to, or submits a bid to, or

1 does personally or by or through others, modify any building, highway,  
2 road, railroad, excavation, manufactured building or other structure,  
3 project, development or improvement, or to do any part of such a project,  
4 including the erection of scaffolding or other structure or works in  
5 connection with such a project, and includes subcontractors and specialty  
6 contractors. For all purposes of taxation or deduction, this definition  
7 shall govern without regard to whether or not such a contractor is acting  
8 in fulfillment of a contract.

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

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

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

14             (b) Supervises, performs or coordinates the excavation and  
15 completion of site improvements or the setup of a manufactured building,  
16 including the contracting, if any, with any subcontractor or specialty  
17 contractor for the completion of the contract.

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

20             (a) Any project described in subsection ~~P~~ of this section.

21             (b) Any wreckage or demolition of existing property, or any other  
22 activity that is a necessary component of a project described in  
23 subsection ~~P~~ of this section.

24             (c) Any mobilization or demobilization related to a project  
25 described in subsection ~~P~~ of this section, such as the erection or  
26 removal of temporary facilities to be used by those persons working on the  
27 project.

28         7. "Modify" means to make a modification or cause a modification to  
29 be made.

30         8. "Owner" means the person that holds title to the real property  
31 or improvements to real property that is the subject of the work, as well  
32 as an agent of the title holder and any person with the authority to  
33 perform or authorize work on the real property or improvements, including  
34 a tenant and a property manager. For the purposes of subsection ~~P~~ of  
35 this section, a person who is hired by a general contractor that is hired  
36 by an owner, or a subcontractor of a general contractor that is hired by  
37 an owner, is considered to be hired by the owner.

38         9. "Prime contracting" means engaging in business as a prime  
39 contractor.

40         10. "Prime contractor" means a contractor who supervises, performs  
41 or coordinates the modification of any building, highway, road, railroad,  
42 excavation, manufactured building or other structure, project, development  
43 or improvement, including the contracting, if any, with any subcontractors  
44 or specialty contractors and who is responsible for the completion of the  
45 contract. Except as provided in subsections E and ~~R~~ of this section, a  
46 person who owns real property, who engages one or more contractors to  
47 modify that real property and who does not itself modify that real

1 property is not a prime contractor within the meaning of this paragraph  
2 regardless of the existence of a contract for sale or the subsequent sale  
3 of that real property.

4 11. "Replacement" means the removal from service of one component  
5 or system of existing property or tangible personal property installed in  
6 existing property, including machinery or equipment, and the installation  
7 of a new component or system or new tangible personal property, including  
8 machinery or equipment, that provides the same, a similar or an upgraded  
9 design or functionality, regardless of the contract amount and regardless  
10 of whether the existing component or system or existing tangible personal  
11 property is physically removed from the existing property.

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

14 Sec. 11. Section 42-5159, Arizona Revised Statutes, is amended to  
15 read:

16 42-5159. Exemptions

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

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

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

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

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

37 5. Motor vehicle fuel and use fuel, the sales, distribution or use  
38 of which in this state is subject to the tax imposed under title 28,  
39 chapter 16, article 1, use fuel that is sold to or used by a person  
40 holding a valid single trip use fuel tax permit issued under  
41 section 28-5739, aviation fuel, the sales, distribution or use of which in  
42 this state is subject to the tax imposed under section 28-8344, and jet  
43 fuel, the sales, distribution or use of which in this state is subject to  
44 the tax imposed under article 8 of this chapter.

45 6. Tangible personal property brought into this state by an  
46 individual who was a nonresident at the time the property was purchased  
47 for storage, use or consumption by the individual if the first actual use

1 or consumption of the property was outside this state, unless the property  
2 is used in conducting a business in this state.

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

9       8. Purchases of:

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

12       (b) Livestock and poultry feed, salts, vitamins and other additives  
13 sold to persons for use or consumption in the businesses of farming,  
14 ranching and producing or feeding livestock or poultry or for use or  
15 consumption in noncommercial boarding of livestock. For the purposes of  
16 this paragraph, "poultry" includes ratites.

17       9. Propagative materials for use in commercially producing  
18 agricultural, horticultural, viticultural or floricultural crops in this  
19 state. For the purposes of this paragraph, "propagative materials":

20       (a) Includes seeds, seedlings, roots, bulbs, liners, transplants,  
21 cuttings, soil and plant additives, agricultural minerals, auxiliary soil  
22 and plant substances, micronutrients, fertilizers, insecticides,  
23 herbicides, fungicides, soil fumigants, desiccants, rodenticides,  
24 adjuvants, plant nutrients and plant growth regulators.

25       (b) Except for use in commercially producing industrial hemp as  
26 defined in section 3-311, does not include any propagative materials used  
27 in producing any part, including seeds, of any plant of the genus  
28 cannabis.

29       10. Tangible personal property not exceeding \$200 in any one month  
30 purchased by an individual at retail outside the continental limits of the  
31 United States for the individual's own personal use and enjoyment.

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

36       12. Materials that are purchased by or for publicly funded  
37 libraries, including school district libraries, charter school libraries,  
38 community college libraries, state university libraries or federal, state,  
39 county or municipal libraries, for use by the public as follows:

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

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

42       13. Tangible personal property purchased by:

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

46       (b) A hospital operated by this state or a political subdivision of  
47 this state.

1 (c) A licensed nursing care institution or a licensed residential  
2 care institution or a residential care facility operated in conjunction  
3 with a licensed nursing care institution or a licensed kidney dialysis  
4 center, which provides medical services, nursing services or health  
5 related services and is not used or held for profit.

6 (d) A qualifying health care organization, as defined in section  
7 42-5001, if the tangible personal property is used by the organization  
8 solely to provide health and medical related educational and charitable  
9 services.

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

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

20 (g) A person that is subject to tax under this chapter by reason of  
21 being engaged in business classified under section 42-5075, or a  
22 subcontractor working under the control of a person that is engaged in  
23 business classified under section 42-5075, if the tangible personal  
24 property is any of the following:

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

27 (ii) Incorporated or fabricated by the person into any project  
28 described in section 42-5075, subsection ~~P~~ P.

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

31 (h) A person that is not subject to tax under section 42-5075 and  
32 that has been provided a copy of a certificate described in section  
33 42-5009, subsection L, if the property purchased is incorporated or  
34 fabricated by the person into the real property, structure, project,  
35 development or improvement described in the certificate.

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

40 (j) A qualifying community health center as defined in section  
41 42-5001.

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

45 (l) A person engaged in business under the transient lodging  
46 classification if the property is a personal hygiene item or articles used  
47 by human beings for food, drink or condiment, except alcoholic beverages,

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

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

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

13 (o) A person representing or working on behalf of any person  
14 described in subdivision (a), (b), (c), (d), (e), (f), (i), (j), (k), (m)  
15 or (n) of this paragraph, if the tangible personal property is  
16 incorporated or fabricated into a project described in section 42-5075,  
17 subsection ~~o~~ P.

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

23 15. Tangible personal property sold by:

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

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

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

46 16. Drugs and medical oxygen, including delivery hose, mask or  
47 tent, regulator and tank, if prescribed by a member of the medical, dental

1 or veterinarian profession who is licensed by law to administer such  
2 substances.

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

7 18. Prescription eyeglasses and contact lenses.

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

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

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

17 22. Food, as provided in and subject to the conditions of article 3  
18 of this chapter and sections 42-5074 and 42-6017.

19 23. Items purchased with United States department of agriculture  
20 coupons issued under the supplemental nutrition assistance program  
21 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;  
22 7 United States Code sections 2011 through 2036b) by the United States  
23 department of agriculture food and nutrition service or food instruments  
24 issued under section 17 of the child nutrition act (P.L. 95-627; 92 Stat.  
25 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States Code  
26 section 1786).

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

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

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

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

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

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

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

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

12           32. Motor vehicles that are removed from inventory by a motor  
13 vehicle 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  
23 only useful to assist a person with a physical disability as defined in  
24 section 46-191 or a person who has a developmental disability as defined  
25 in section 36-551 or has a head injury as defined in section 41-3201 to be  
26 more independent and functional.

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

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

44           37. A motor vehicle and any repair and replacement parts and  
45 tangible personal property becoming a part of such motor vehicle sold to a  
46 motor carrier that is subject to a fee prescribed in title 28, chapter 16,



1 article 4 and that is engaged in the business of leasing or renting such a  
2 property.

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

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

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

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

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

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

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

44 43. Tangible personal property purchased by a commercial airline  
45 and consisting of food, beverages and condiments and accessories used for  
46 serving the food and beverages, if those items are to be provided without  
47 additional charge to passengers for consumption in flight. For the

1 purposes of this paragraph, "commercial airline" means a person holding a  
2 federal certificate of public convenience and necessity or foreign air  
3 carrier permit for air transportation to transport persons, property or  
4 United States mail in intrastate, interstate or foreign commerce.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10         54. Coal acquired from an owner or operator of a power plant by a  
11 person that is responsible for refining coal if both of the following  
12 apply:

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

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

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

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

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

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

38         56. Cash equivalents, precious metal bullion and monetized bullion  
39 purchased by the ultimate consumer, but coins or other forms of money for  
40 manufacture into jewelry or works of art are subject to tax, and tangible  
41 personal property that is purchased through the redemption of any cash  
42 equivalent by the holder as a means of payment for goods that are subject  
43 to tax under this article is subject to tax. For the purposes of this  
44 paragraph:

45             (a) "Cash equivalents" means items, whether or not negotiable, that  
46 are sold to one or more persons, through which a value denominated in  
47 money is purchased in advance and that may be redeemed in full or in part

1 for tangible personal property, intangibles or services. Cash equivalents  
2 include gift cards, stored value cards, gift certificates, vouchers,  
3 traveler's checks, money orders or other tangible instruments or orders.  
4 Cash equivalents do not include either of the following:

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

7 (ii) Prepaid calling cards for telecommunications services.

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

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

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

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

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

31 3. Tangible personal property sold to persons engaged in business  
32 classified under the telecommunications classification under section  
33 42-5064, including a person representing or working on behalf of such a  
34 person in a manner described in section 42-5075, subsection ~~⊖~~ P, and  
35 consisting of central office switching equipment, switchboards, private  
36 branch exchange equipment, microwave radio equipment and carrier equipment  
37 including optical fiber, coaxial cable and other transmission media that  
38 are components of carrier systems.

39 4. Machinery, equipment or transmission lines used directly in  
40 producing or transmitting electrical power, but not including  
41 distribution. Transformers and control equipment used at transmission  
42 substation sites constitute equipment used in producing or transmitting  
43 electrical power.

44 5. Machinery and equipment used directly for energy storage for  
45 later electrical use. For the purposes of this paragraph:

1 (a) "Electric utility scale" means a person that is engaged in a  
2 business activity described in section 42-5063, subsection A or such  
3 person's equipment or wholesale electricity suppliers.

4 (b) "Energy storage" means commercially available technology for  
5 electric utility scale that is capable of absorbing energy, storing energy  
6 for a period of time and thereafter dispatching the energy and that uses  
7 mechanical, chemical or thermal processes to store energy.

8 (c) "Machinery and equipment used directly" means all machinery and  
9 equipment that are used for electric energy storage from the point of  
10 receipt of such energy in order to facilitate storage of the electric  
11 energy to the point where the electric energy is released.

12 6. Neat animals, horses, asses, sheep, ratites, swine or goats used  
13 or to be used as breeding or production stock, including sales of  
14 breedings or ownership shares in such animals used for breeding or  
15 production.

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

20 8. Aircraft, navigational and communication instruments and other  
21 accessories and related equipment sold to:

22 (a) A person:

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

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

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

36 (iv) Operating an aircraft to transport persons in any manner for  
37 compensation or hire, or for use in a fractional ownership program that  
38 meets the requirements of federal aviation administration regulations (14  
39 Code of Federal Regulations part 91, subpart K), including as an air  
40 carrier, a foreign air carrier or a commercial operator or under a  
41 restricted category, within the meaning of 14 Code of Federal Regulations,  
42 regardless of whether the operation or aircraft is regulated or certified  
43 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code  
44 of Federal Regulations.

45 (v) That will lease or otherwise transfer operational control,  
46 within the meaning of federal aviation administration operations  
47 specification A008, or its successor, of the aircraft, instruments or

1 accessories to one or more persons described in item (i), (ii), (iii) or  
2 (iv) of this subdivision, subject to section 42-5009, subsection Q.

3 (b) Any foreign government.

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

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

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

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

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

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

29 14. Machinery and equipment consisting of agricultural aircraft,  
30 tractors, off-highway vehicles, tractor-drawn implements, self-powered  
31 implements, machinery and equipment necessary for extracting milk, and  
32 machinery and equipment necessary for cooling milk and livestock, and drip  
33 irrigation lines not already exempt under paragraph 7 of this subsection  
34 and that are used for commercially producing agricultural, horticultural,  
35 viticultural and floricultural crops and products in this state. For the  
36 purposes of this paragraph:

37 (a) "Off-highway vehicles" means off-highway vehicles as defined in  
38 section 28-1171 that are modified at the time of sale to function as a  
39 tractor or to tow tractor-drawn implements and that are not equipped with  
40 a modified exhaust system to increase horsepower or speed or an engine  
41 that is more than one thousand cubic centimeters or that have a maximum  
42 speed of fifty miles per hour or less.

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

45 15. Machinery or equipment used in research and development. For  
46 the purposes of this paragraph, "research and development" means basic and  
47 applied research in the sciences and engineering, and designing,

1 developing or testing prototypes, processes or new products, including  
2 research and development of computer software that is embedded in or an  
3 integral part of the prototype or new product or that is required for  
4 machinery or equipment otherwise exempt under this section to function  
5 effectively. Research and development do not include manufacturing  
6 quality control, routine consumer product testing, market research, sales  
7 promotion, sales service, research in social sciences or psychology,  
8 computer software research that is not included in the definition of  
9 research and development, or other nontechnological activities or  
10 technical services.

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

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

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

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

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

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

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

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

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

3 18. Machinery and equipment that are used directly in feeding  
4 poultry, environmentally controlling housing for poultry, moving eggs  
5 within a production and packaging facility or sorting or cooling eggs.  
6 This exemption does not apply to vehicles used for transporting eggs.

7 19. Machinery or equipment, including related structural components  
8 and containment structures, that is employed in connection with  
9 manufacturing, processing, fabricating, job printing, refining, mining,  
10 natural gas pipelines, metallurgical operations, telecommunications,  
11 producing or transmitting electricity or research and development and that  
12 is used directly to meet or exceed rules or regulations adopted by the  
13 federal energy regulatory commission, the United States environmental  
14 protection agency, the United States nuclear regulatory commission, the  
15 Arizona department of environmental quality or a political subdivision of  
16 this state to prevent, monitor, control or reduce land, water or air  
17 pollution. For the purposes of this paragraph, "containment structure"  
18 means a structure that prevents, monitors, controls or reduces noxious or  
19 harmful discharge into the environment.

20 20. Machinery and equipment that are used in commercially producing  
21 livestock, livestock products or agricultural, horticultural, viticultural  
22 or floricultural crops or products in this state, including production by  
23 a person representing or working on behalf of such a person in a manner  
24 described in section 42-5075, subsection ~~⊖~~ P, if the machinery and  
25 equipment are used directly and primarily to prevent, monitor, control or  
26 reduce air, water or land pollution.

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

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

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

39 (c) Any machinery or equipment purchased after the television  
40 station has ceased analog broadcasting, or purchased after November 1,  
41 2009, whichever occurs first.

42 22. Qualifying equipment that is purchased from and after June 30,  
43 2004 through December 31, 2026 by a qualified business under section  
44 41-1516 for harvesting or processing qualifying forest products removed  
45 from qualifying projects as defined in section 41-1516. To qualify for  
46 this exemption, the qualified business must obtain and present its  
47 certification from the Arizona commerce authority at the time of purchase.



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

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

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

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

21           2. Janitorial equipment and hand tools.

22           3. Office equipment, furniture and supplies.

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

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

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

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

33           8. Machinery and equipment or tangible personal property used by a  
34 contractor in performing a contract.

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

37           1. Revenues received from sales of ancillary services, electric  
38 distribution services, electric generation services, electric transmission  
39 services and other services related to providing electricity to a retail  
40 electric customer who is located outside this state for use outside this  
41 state if the electricity is delivered to a point of sale outside this  
42 state.

43           2. Revenues received from providing electricity, including  
44 ancillary services, electric distribution services, electric generation  
45 services, electric transmission services and other services related to  
46 providing electricity with respect to which the transaction privilege tax  
47 imposed under section 42-5063 has been paid.

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

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

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

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

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

19 1. A qualified manufacturing or smelting business. A utility that  
20 claims this deduction shall report each month, on a form prescribed by the  
21 department, the name and address of each qualified manufacturing or  
22 smelting business for which this deduction is taken. This paragraph  
23 applies to gas transportation services. For the purposes of this  
24 paragraph:

25 (a) "Gas transportation services" means the services of  
26 transporting natural gas to a natural gas customer or to a natural gas  
27 distribution facility if the natural gas was purchased from a supplier  
28 other than the utility.

29 (b) "Manufacturing" means the performance as a business of an  
30 integrated series of operations that places tangible personal property in  
31 a form, composition or character different from that in which it was  
32 acquired and transforms it into a different product with a distinctive  
33 name, character or use. Manufacturing does not include job printing,  
34 publishing, packaging, mining, generating electricity or operating a  
35 restaurant.

36 (c) "Qualified manufacturing or smelting business" means one of the  
37 following:

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

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

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

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

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

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

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

13 H. A city or town may exempt proceeds from sales of paintings,  
14 sculptures or similar works of fine art if such works of fine art are sold  
15 by the original artist. For the purposes of this subsection, fine art  
16 does not include an art creation such as jewelry, macrame, glasswork,  
17 pottery, woodwork, metalwork, furniture or clothing if the art creation  
18 has a dual purpose, both aesthetic and utilitarian, whether sold by the  
19 artist or by another person.

20 I. For the purposes of subsection B of this section:

21 1. "Agricultural aircraft" means an aircraft that is built for  
22 agricultural use for the aerial application of pesticides or fertilizer or  
23 for aerial seeding.

24 2. "Aircraft" includes:

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

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

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

34 J. For the purposes of subsection D of this section, "ancillary  
35 services", "electric distribution service", "electric generation service",  
36 "electric transmission service" and "other services" have the same  
37 meanings prescribed in section 42-5063.

38 Sec. 12. Title 42, chapter 6, article 1, Arizona Revised Statutes,  
39 is amended by adding section 42-6018, to read:

40 42-6018. Distribution of revenue for county stadium district  
41 from city or town excise taxes

42 A. BEGINNING OCTOBER 1, 2025 AND EACH MONTH THEREAFTER, A CITY OR  
43 TOWN SHALL TRANSMIT FROM THE AMOUNT COLLECTED PURSUANT TO THIS ARTICLE THE  
44 AMOUNT DETERMINED UNDER SUBSECTION B OF THIS SECTION TO THE COUNTY STADIUM  
45 DISTRICT ESTABLISHED PURSUANT TO TITLE 48, CHAPTER 26 FOR DEPOSIT IN THE  
46 COUNTY STADIUM DISTRICT FUND ESTABLISHED PURSUANT TO SECTION 48-4231.

1 B. THE AMOUNT TO BE TRANSMITTED UNDER SUBSECTION A OF THIS SECTION  
2 IS THE TOTAL AMOUNT OF TRANSACTION PRIVILEGE, SALES, USE, FRANCHISE OR  
3 OTHER SIMILAR TAX OR FEES COLLECTED ON BEHALF OF THE CITY OR TOWN FROM  
4 PERSONS ENGAGED IN THE FOLLOWING BUSINESS ACTIVITIES AT, OR WITH RESPECT  
5 TO EVENTS HELD AT, A MAJOR LEAGUE BASEBALL FACILITY THAT IS OWNED AND  
6 OPERATED BY A COUNTY STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26:

7 1. SELLING TANGIBLE PERSONAL PROPERTY AT RETAIL.

8 2. OPERATING OR CONDUCTING THEATERS, MOVIES, OPERAS, SHOWS OF ANY  
9 TYPE OR NATURE, EXHIBITIONS, CONCERTS, CARNIVALS, CIRCUSES, AMUSEMENT  
10 PARKS, MENAGERIES, FAIRS, RACES, CONTESTS, GAMES, BILLIARD OR POOL  
11 PARLORS, BOWLING ALLEYS, PUBLIC DANCES, DANCE HALLS, BOXING AND WRESTLING  
12 MATCHES, SKATING RINKS, TENNIS COURTS, VIDEO GAMES, PINBALL MACHINES OR  
13 SPORTS EVENTS OR ANY OTHER BUSINESS CHARGING ADMISSION OR USER FEES FOR  
14 EXHIBITION, AMUSEMENT OR ENTERTAINMENT.

15 3. OPERATING A RESTAURANT, DINING CAR, DINING ROOM, LUNCHROOM,  
16 MOBILE FOOD UNIT, LUNCH STAND, SODA FOUNTAIN, CATERING SERVICE OR SIMILAR  
17 ESTABLISHMENT WHERE ARTICLES OF FOOD OR DRINK ARE SOLD FOR CONSUMPTION ON  
18 OR OFF THE PREMISES.

19 4. PRIME CONTRACTING.

20 C. FOR THE PURPOSES OF THIS SECTION, FROM AND AFTER DECEMBER 30,  
21 2025, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES COLLECTED FROM  
22 THE BUSINESSES PRESCRIBED IN SUBSECTION B OF THIS SECTION ON THE PREMISES  
23 OF A MAJOR LEAGUE BASEBALL FACILITY OWNED OR OPERATED BY A COUNTY STADIUM  
24 DISTRICT PURSUANT TO TITLE 48, CHAPTER 26.

25 Sec. 13. Title 42, chapter 6, article 3, Arizona Revised Statutes,  
26 is amended by adding section 42-6113, to read:

27 42-6113. Distribution of revenue for county stadium district  
28 from county excise taxes

29 A. BEGINNING OCTOBER 1, 2025 AND EACH MONTH THEREAFTER, A COUNTY  
30 SHALL TRANSMIT FROM THE AMOUNT COLLECTED PURSUANT TO THIS ARTICLE THE  
31 AMOUNT DETERMINED UNDER SUBSECTION B OF THIS SECTION TO THE COUNTY STADIUM  
32 DISTRICT ESTABLISHED PURSUANT TO TITLE 48, CHAPTER 26 FOR DEPOSIT IN THE  
33 COUNTY STADIUM DISTRICT FUND ESTABLISHED PURSUANT TO SECTION 48-4231.

34 B. THE AMOUNT TO BE TRANSMITTED UNDER SUBSECTION A OF THIS SECTION  
35 IS THE TOTAL AMOUNT OF COUNTY EXCISE TAXES COLLECTED ON BEHALF OF THE  
36 COUNTY FROM PERSONS ENGAGED IN THE FOLLOWING BUSINESS ACTIVITIES AT, OR  
37 WITH RESPECT TO EVENTS HELD AT, A MAJOR LEAGUE BASEBALL FACILITY THAT IS  
38 OWNED AND OPERATED BY A COUNTY STADIUM DISTRICT PURSUANT TO TITLE 48,  
39 CHAPTER 26:

40 1. SELLING TANGIBLE PERSONAL PROPERTY AT RETAIL.

41 2. OPERATING OR CONDUCTING THEATERS, MOVIES, OPERAS, SHOWS OF ANY  
42 TYPE OR NATURE, EXHIBITIONS, CONCERTS, CARNIVALS, CIRCUSES, AMUSEMENT  
43 PARKS, MENAGERIES, FAIRS, RACES, CONTESTS, GAMES, BILLIARD OR POOL  
44 PARLORS, BOWLING ALLEYS, PUBLIC DANCES, DANCE HALLS, BOXING AND WRESTLING  
45 MATCHES, SKATING RINKS, TENNIS COURTS, VIDEO GAMES, PINBALL MACHINES OR  
46 SPORTS EVENTS OR ANY OTHER BUSINESS CHARGING ADMISSION OR USER FEES FOR  
47 EXHIBITION, AMUSEMENT OR ENTERTAINMENT.



1 default and immediately deposit the amount withheld in the greater Arizona  
2 development authority revolving fund. The state treasurer shall continue  
3 to withhold and deposit the monies until the authority certifies to the  
4 state treasurer that the default has been cured. The state treasurer may  
5 not withhold any amount that is necessary, as certified by the defaulting  
6 political subdivision to the state treasurer and the authority, to make  
7 any required deposits then due for the payment of principal and interest  
8 on bonds of the political subdivision that were issued before the date of  
9 the loan repayment agreement or bonds and that have been secured by a  
10 pledge of distributions made pursuant to this section.

11 F. Except as otherwise provided by this subsection, on notice from  
12 the attorney general pursuant to section 41-194.01, subsection B,  
13 paragraph 1 that an ordinance, regulation, order or other official action  
14 adopted or taken by the governing body of a city or town violates state  
15 law or the Constitution of Arizona, the state treasurer shall withhold the  
16 distribution of monies pursuant to this section to the affected city or  
17 town and shall continue to withhold monies pursuant to this subsection  
18 until the attorney general certifies to the state treasurer that the  
19 violation has been resolved. The state treasurer shall redistribute the  
20 monies withheld pursuant to this subsection among all other cities and  
21 towns in proportion to their population as provided by subsection B of  
22 this section. The state treasurer shall not withhold any amount that the  
23 city or town certifies to the attorney general and the state treasurer as  
24 being necessary to make any required deposits or payments for debt service  
25 on bonds or other long-term obligations of the city or town that were  
26 issued or incurred before committing the violation.

27 G. THE AMOUNT REPORTED TO THE DEPARTMENT PURSUANT TO SECTION  
28 43-209, SUBSECTION D FOR A TAXABLE YEAR SHALL BE INCLUDED WHEN DETERMINING  
29 THE NET PROCEEDS OF THE STATE INCOME TAXES FOR THE FISCAL YEAR FOR THE  
30 PURPOSES OF THE DISTRIBUTION REQUIRED BY SUBSECTION A OF THIS SECTION.

31 Sec. 15. Section 43-209, Arizona Revised Statutes, is amended to  
32 read:

33 43-209. Collection of tax on income of professional athletes  
34 earned in this state; separate accounting for tax  
35 revenue from professional football and baseball;  
36 definitions

37 A. The department shall adopt and enforce rules for the collection  
38 of tax under this title on the income earned for services rendered in this  
39 state by professional athletes and employees of professional sport  
40 franchise organizations.

41 B. On or before December 31 of each year each professional football  
42 franchise organization AND PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION  
43 that is domiciled in this state shall provide to the department the  
44 federal taxpayer identification number, assigned pursuant to section 6109  
45 of the internal revenue code, for each resident and nonresident employee  
46 of the organization who rendered services in this state for the  
47 organization during the calendar year. Unless due to reasonable cause and

1 not due to wilful neglect, a professional football franchise organization  
2 OR PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION that fails to provide  
3 taxpayer identification numbers pursuant to this subsection shall pay a  
4 civil penalty of ~~five dollars~~ \$5 for each such number.

5 C. For purposes of section 42-1116, subsection C, on or before  
6 March 31 of each year, the department shall separately account for and  
7 report to the state treasurer as a single aggregate amount the total net  
8 revenues collected during the preceding calendar year from the imposition  
9 of tax under this title on the income from all sources of:

10 1. Any professional football franchise organization that is  
11 domiciled in this state.

12 2. Resident and nonresident employees of any professional football  
13 franchise organization that is domiciled in this state. For reporting  
14 purposes under this subsection, the department shall include all income  
15 reported on joint returns, regardless of the spouse to whom it is  
16 attributable, and the income of an employee's spouse that is reported on a  
17 separate return.

18 D. FOR THE PURPOSES OF SECTION 42-1116, SUBSECTION D, ON OR BEFORE  
19 MARCH 31 OF EACH YEAR, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR AND  
20 REPORT TO THE STATE TREASURER AS A SINGLE AGGREGATE AMOUNT THE TOTAL NET  
21 REVENUES COLLECTED DURING THE PRECEDING CALENDAR YEAR FROM THE IMPOSITION  
22 OF TAX UNDER THIS TITLE ON THE INCOME FROM ALL SOURCES OF:

23 1. ANY PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT IS  
24 DOMICILED IN THIS STATE.

25 2. RESIDENT AND NONRESIDENT EMPLOYEES OF ANY PROFESSIONAL BASEBALL  
26 FRANCHISE ORGANIZATION THAT IS DOMICILED IN THIS STATE. FOR REPORTING  
27 PURPOSES UNDER THIS SUBSECTION, THE DEPARTMENT SHALL INCLUDE ALL INCOME  
28 REPORTED ON JOINT RETURNS, REGARDLESS OF THE SPOUSE TO WHOM IT IS  
29 ATTRIBUTABLE, AND THE INCOME OF AN EMPLOYEE'S SPOUSE THAT IS REPORTED ON A  
30 SEPARATE RETURN.

31 ~~D.~~ E. For THE purposes of this section: ~~;~~

32 1. "PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION" MEANS AN  
33 ORGANIZATION THAT HAS THE RIGHT TO FIELD A TEAM FOR PARTICIPATION IN  
34 PROFESSIONAL BASEBALL CONTESTS SCHEDULED BY A NATIONWIDE LEAGUE DURING A  
35 REGULAR SEASON HELD IN THE MONTHS OF MARCH THROUGH OCTOBER EACH YEAR.

36 2. "Professional football franchise organization" means an  
37 organization that has the right to field a team for participation in  
38 professional football contests scheduled by a nationwide league during a  
39 regular season held in the months of September through December each year.

40 <<Sec. 16. Section 48-4203, Arizona Revised Statutes, is amended to  
41 read:

42 48-4203. Powers and duties of board of directors; report;  
43 conflict of interest

44 A. The board of directors, on behalf of the district, may:

45 1. Adopt and use a corporate seal.

46 2. Sue and be sued.

1           3. Enter into contracts, including intergovernmental agreements  
2 under title 11, chapter 7, article 3, as necessary to carry out the  
3 purposes and requirements of this chapter. The district may contract with  
4 a county sports authority established under title 11, chapter 5 to carry  
5 out any power of the district.

6           4. Adopt administrative rules as necessary to administer and  
7 operate the district and any property under its jurisdiction.

8           5. Adopt rules that allow weighted voting by board members and  
9 establish conditions for terminating the district.

10          6. Employ an executive director and administrative and clerical  
11 employees, or contract for other management personnel, and prescribe the  
12 terms and conditions of their employment as necessary to carry out the  
13 purposes of the district.

14          7. Acquire by any lawful means and operate, maintain, encumber and  
15 dispose of real and personal property and interests in property. A  
16 district established under section 48-4202, subsection A may acquire real  
17 property by eminent domain. A district established under section 48-4202,  
18 subsection B shall not acquire real property by eminent domain. A  
19 district established under section 48-4202, subsection C shall not acquire  
20 or own real property or interests in real property.

21          8. Administer trusts declared or established for the district,  
22 receive and hold in trust or otherwise property located in or out of this  
23 state and, if not otherwise provided, dispose of the property for the  
24 benefit of the district.

25          9. Retain legal counsel and other consultants as necessary to carry  
26 out the purposes of the district.

27          B. The board of directors, on behalf of a district established  
28 pursuant to section 48-4202, subsection B, may:

29           1. Use revenues paid to the district pursuant to section 42-5031  
30 and other revenues the district may receive from other sources, for the  
31 purposes set forth in section 48-4204, subsection B.

32           2. Enter into agreements with developers, contractors, tenants and  
33 other users of all or part of a multipurpose facility as determined  
34 appropriate.

35           3. Pledge all or part of the revenues described in section 42-5031,  
36 subsection B to secure the district's bonds or other financial obligations  
37 issued or incurred under this chapter for the construction of all or part  
38 of a multipurpose facility.

39          C. The board of directors of a district established pursuant to  
40 section 48-4202, subsection B shall provide public outreach and education  
41 on the purpose and activities of the district, including:

42           1. Presentations to the governing bodies of the municipalities in  
43 the county in which the district is located.

44           2. Presentations to community, civic and business organizations.

45           3. Printed or electronic materials that support the purposes of  
46 this subsection.

47          D. The board of directors shall:



1           1. Appoint from among its members a [~~chairman~~][CHAIRPERSON], a  
2 secretary and such other officers as may be necessary to conduct its  
3 business. The board of directors may appoint the chief financial officer  
4 of the county as the district treasurer of a countywide district  
5 established under section 48-4202, subsection A. If the board does not  
6 appoint the chief financial officer, the county treasurer is designated ex  
7 officio as the treasurer. The board of directors of a district that is  
8 established pursuant to section 48-4202, subsection B shall designate a  
9 member of the board with financial management or accounting experience or  
10 a person with whom the board has contracted for financial management as  
11 treasurer of the district. The county treasurer is designated ex officio  
12 as the treasurer of a district that is established pursuant to section  
13 48-4202, subsection C.

14           2. Keep and maintain a complete and accurate record of all its  
15 proceedings. All proceedings and records of the board shall be open to  
16 the public as required by title 38, chapter 3, article 3.1 and title 39,  
17 chapter 1.

18           3. Provide for the use, maintenance and operation of the properties  
19 and interests controlled by the district.

20           E. The board of directors of a district that is established  
21 pursuant to section 48-4202, subsection B shall:

22           1. Determine by agreement the distribution of revenues from  
23 operating and using the multipurpose facilities among the municipalities  
24 and any participating Indian tribe or community.

25           2. Report to the legislature by October 1 of each year regarding  
26 the activities, operations, revenues and expenditures of the district for  
27 the immediately preceding fiscal year. The board shall submit the annual  
28 report to the president of the senate and the speaker of the house of  
29 representatives and provide a copy of the report to the secretary of  
30 state. At the discretion of the chairpersons of the senate finance  
31 committee and the house of representatives ways and means committee, or  
32 their successor committees, the committees may hold separate or joint  
33 hearings to consider the annual report prepared by the district.

34           3. Present to the joint legislative committee on capital review  
35 each project for the construction or reconstruction of any facility,  
36 structure, infrastructure or other improvement to real property of any  
37 kind in an amount exceeding [~~five hundred thousand dollars~~][\$500,000].

38           [F. ON OR BEFORE NOVEMBER 1 OF EACH YEAR, THE BOARD OF DIRECTORS OF  
39 A DISTRICT THAT IS ESTABLISHED PURSUANT TO SECTION 48-4202, SUBSECTION A  
40 SHALL REPORT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE AND THE GOVERNOR'S  
41 OFFICE OF STRATEGIC PLANNING AND BUDGETING REGARDING ALL NEW MAINTENANCE  
42 AND OPERATIONS PROJECTS THAT COST MORE THAN \$1,000,000 THAT ARE PAID FOR  
43 BY THE DISTRICT FROM MONIES TRANSMITTED PURSUANT TO SECTION 42-1116.  
44 SUBSECTION D AND SECTIONS 42-5032.03, 42-6018 AND 42-6113.]

1           ~~[F.]~~ [G.] The directors, officers and employees of the district are  
2 subject to title 38, chapter 3, article 8 relating to conflicts of  
3 interest.

4           ~~[G.]~~ [H.] This state and political subdivisions of this state other  
5 than the district are not liable for any financial or other obligations of  
6 the district and the financial or other obligations do not constitute a  
7 debt or liability of this state or any political subdivision of this  
8 state, other than the district. >>

9           Sec. 17. Section 48-4231, Arizona Revised Statutes, is amended to  
10 read:

11           48-4231. County stadium district fund

12           A. The district treasurer shall maintain a county stadium district  
13 fund consisting of all monies received by the district, including:

14           1. Payments received from leasing, subleasing or renting property  
15 owned, leased or controlled by the district.

16           2. Revenues received by the district from admissions and  
17 concessions and other proceeds from events held at a stadium owned or  
18 leased by the district.

19           3. Monies received from issuing and selling bonds under article 3  
20 of this chapter.

21           4. MONIES TRANSMITTED PURSUANT TO SECTION 42-1116, SUBSECTION D AND  
22 SECTIONS 42-5032.03, 42-6018 AND 42-6113.

23           ~~4.~~ 5. Interest and other income received from investing monies in  
24 the fund.

25           ~~5.~~ 6. Gifts, grants and donations received for that purpose from  
26 any public or private source.

27           B. EXCEPT AS PROVIDED IN SUBSECTION E OF THIS SECTION, monies in  
28 the fund may be used for any lawful purpose of the district.

29           C. The district treasurer may invest any unexpended monies in the  
30 fund as provided in title 35, chapter 2. Notwithstanding section 35-323,  
31 the district treasurer may invest and reinvest monies in the fund, other  
32 than operating fund monies, in eligible investments with a maturity of  
33 greater than five years. Interest and other income from investments shall  
34 be credited to the fund. The district treasurer shall invest the monies  
35 so as to mature at the times when the fund assets will be required for the  
36 purposes of this article. If the liquid assets in the fund become  
37 insufficient to meet the district's obligations, the board of directors  
38 shall direct the district treasurer to liquidate sufficient securities to  
39 meet all of the current obligations and immediately notify the auditor  
40 general of the insufficiency, and the auditor general shall investigate  
41 and audit the circumstances surrounding the depletion of the fund and  
42 report the auditor general's findings to the board.

1 D. Except as provided by section 48-4231.01, the board of directors  
2 shall cause an annual audit to be conducted of the fund by an independent  
3 certified public accountant within one hundred twenty days after the end  
4 of the fiscal year. The board shall immediately file a certified copy of  
5 the audit with the auditor general. The auditor general may make such  
6 further audits and examinations as the auditor general deems necessary,  
7 but if the auditor general takes no official action within thirty days  
8 after the audit is filed, the audit is deemed sufficient. The board of  
9 directors shall pay all fees and costs of the certified public accountant  
10 and auditor general under this subsection from the fund.

11 E. MONIES TRANSMITTED PURSUANT TO SECTION 42-1116, SUBSECTION D AND  
12 SECTIONS 42-5032.03, 42-6018 AND 42-6113 SHALL BE USED FOR RECONSTRUCTING,  
13 EQUIPPING, REPAIRING, MAINTAINING OR IMPROVING THE MAJOR LEAGUE BASEBALL  
14 FACILITY OWNED AND OPERATED BY THE DISTRICT. [ANY INDIVIDUAL, INCLUDING  
15 AN EMPLOYEE OF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION, IS  
16 SUBJECT TO TITLE 38, CHAPTER 3, ARTICLE 8 RELATING TO CONFLICTS OF  
17 INTEREST FOR THE PURPOSES OF SPENDING THE MONIES TRANSMITTED PURSUANT TO  
18 SECTION 42-1116, SUBSECTION D AND SECTIONS 42-5032.03, 42-6018 AND  
19 42-6113.]

20 <<Sec. 18. Title 48, chapter 26, article 2, Arizona Revised  
21 Statutes, is amended by adding section 48-4238, to read:

22 48-4238. Notice; penalty; transaction privilege tax return

23 [IF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES  
24 THE MAJOR LEAGUE BASEBALL FACILITY OWNED AND OPERATED BY THE DISTRICT  
25 LEAVES THIS STATE, THE DISTRICT TREASURER SHALL:

26 1. NOTIFY THE STATE TREASURER AND THE DEPARTMENT OF REVENUE THAT  
27 THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES THE MAJOR  
28 LEAGUE BASEBALL FACILITY OWNED AND OPERATED BY THE DISTRICT LEFT THIS  
29 STATE. ON RECEIVING THE NOTICE:

30 (a) THE STATE TREASURER MAY NOT CONTINUE TO TRANSMIT MONIES  
31 PURSUANT TO SECTION 42-1116, SUBSECTION D AND SECTIONS 42-5032.03, 42-6018  
32 AND 42-6133.

33 (b) THE STATE TREASURER SHALL ASSESS A PENALTY AGAINST THE  
34 PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION AND DEPOSIT, PURSUANT TO  
35 SECTIONS 35-146 AND 35-147, IN THE STATE GENERAL FUND THE PENALTY IN THE  
36 FOLLOWING AMOUNTS:

37 (i) \$10,000,000 IF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION  
38 LEAVES THIS STATE ON OR BEFORE OCTOBER 1, 2035.

39 (ii) \$5,000,000 IF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION  
40 LEAVES THIS STATE ON OR BEFORE OCTOBER 1, 2045.

41 (iii) \$1,000,000 IF THE PROFESSIONAL BASEBALL FRANCHISE  
42 ORGANIZATION LEAVES THIS STATE ON OR BEFORE OCTOBER 1, 2050.

43 (c) THE DEPARTMENT OF REVENUE MAY STOP SEPARATELY ACCOUNTING FOR  
44 THE REVENUES THAT WERE SUBJECT TO TRANSMISSION.

1           2. RETURN ANY REMAINING MONIES TRANSMITTED PURSUANT TO SECTION  
2 42-1116, SUBSECTION D AND SECTIONS 42-5032.03, 42-6018 AND 42-6113 THAT  
3 ARE UNEXPENDED AND UNENCUMBERED TO THE TAXING JURISDICTION FROM WHICH THE  
4 MONIES WERE GENERATED.]

5 Enroll and engross to conform  
6 Amend title to conform  
And, as so amended, it do pass

JEFF WENINGER  
CHAIRMAN

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