

HOUSE FLOOR AMENDMENT EXPLANATION



Bill Number: **SB 1274**

Olson Floor Amendment

The Rep. Olson SB 1274 COW floor amendment dated March 19, 2025 at 3:01 PM removes obsolete language regarding the administration of local excise taxes related to online lodging.

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3/19/2025

OLSON FLOOR AMENDMENT
HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1274
(Reference to Senate engrossed 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 42-1008, Arizona Revised Statutes, is amended to
3 read:

4 42-1008. Employee, agent, contractor preparation of tax
5 returns for compensation prohibited

6 An employee of the department of revenue, ANY INDIVIDUAL ACTING AS
7 AN AGENT OR CONTRACTOR OF THE DEPARTMENT TO PERFORM ANY DUTIES OF THE
8 DEPARTMENT OR ANY MANAGER OR SUPERVISOR OF AN INDIVIDUAL ACTING AS AN
9 AGENT OR CONTRACTOR OF THE DEPARTMENT shall not for compensation prepare
10 or assist in preparing any tax return THAT IS required to be filed with
11 the federal, THE state or a local government. A violation of this section
12 ~~shall be~~ IS grounds for immediate ~~discharge~~ DISMISSAL OR REMOVAL FROM ANY
13 DUTIES PERFORMED AS AN AGENT OR CONTRACTOR OF THE DEPARTMENT AS ALLOWED BY
14 LAW.

15 Sec. 2. Section 42-5001, Arizona Revised Statutes, is amended to
16 read:

17 42-5001. Definitions

18 In this article and article 2 of this chapter, unless the context
19 otherwise requires:

20 1. "Business" includes all activities or acts, personal or
21 corporate, that are engaged in or caused to be engaged in with the object
22 of gain, benefit or advantage, either directly or indirectly, but does not
23 include either:

24 (a) Casual activities or sales.

25 (b) The transfer of electricity from a solar photovoltaic
26 generation system to an electric utility distribution system.

1 2. "Distribution base" means the portion of the revenues derived
2 from the tax levied by this article and articles 5 and 8 of this chapter
3 designated for distribution to counties, municipalities and other purposes
4 according to section 42-5029, subsection D.

5 3. "Engaging", when used with reference to engaging or continuing
6 in business, includes the exercise of corporate or franchise powers.

7 4. "Gross income" means the gross receipts of a taxpayer derived
8 from trade, business, commerce or sales and the value proceeding or
9 accruing from the sale of tangible personal property or service, or both,
10 and without any deduction on account of losses.

11 5. "Gross proceeds of sales" means the value proceeding or accruing
12 from the sale of tangible personal property without any deduction on
13 account of the cost of property sold, expense of any kind or losses, but
14 cash discounts allowed and taken on sales are not included as gross
15 income.

16 6. Gross income and gross proceeds of sales do not include goods,
17 wares or merchandise, or the value thereof, returned by customers if the
18 sale price is refunded either in cash or by credit, or the value of
19 merchandise traded in on the purchase of new merchandise when the trade-in
20 allowance is deducted from the sales price of the new merchandise before
21 completion of the sale.

22 7. "Gross receipts" means the total amount of the sale, lease or
23 rental price, as the case may be, of the retail sales of retailers,
24 including any services that are a part of the sales, valued in money,
25 whether received in money or otherwise, including all receipts, cash,
26 credits and property of every kind or nature, and any amount for which
27 credit is allowed by the seller to the purchaser without any deduction
28 from the amount on account of the cost of the property sold, materials
29 used, labor or service performed, interest paid, losses or any other
30 expense. Gross receipts do not include cash discounts allowed and taken
31 or the sale price of property returned by customers if the full sale price
32 is refunded either in cash or by credit.

33 8. "Marketplace" means a physical or electronic place, platform or
34 forum, including a store, booth, internet website, catalog or dedicated
35 sales software application, where products, including tangible personal
36 property, are offered for sale.

37 9. "Marketplace facilitator":

38 (a) Means a person that facilitates a retail sale by a marketplace
39 seller by listing or advertising for sale by the marketplace seller in a
40 marketplace tangible personal property and, either directly or indirectly,
41 through agreements or arrangements with third parties collecting payment
42 from the purchaser and transmitting that payment to the marketplace
43 seller, regardless of whether the marketplace facilitator receives
44 compensation for the marketplace facilitator's services.

45 (b) Does not include a payment processor business that is appointed
46 to handle payment transactions from various channels, such as charge

1 cards, credit cards and debit cards, and whose sole activity with respect
2 to marketplace sales is to handle transactions between two parties.

3 10. "Marketplace seller" means a person that makes retail sales
4 through any physical or electronic marketplace that is operated by a
5 marketplace facilitator.

6 11. "Person" or "company" includes an individual, firm,
7 partnership, joint venture, association, corporation, estate, trust,
8 marketplace facilitator or remote seller, this state, any county, city,
9 town, district, other than a school district, or other political
10 subdivision and any other group or combination acting as a unit, and the
11 plural as well as the singular number.

12 12. "Qualifying community health center":

13 (a) Means an entity that is recognized as nonprofit under section
14 501(c)(3) of the United States internal revenue code, that is a
15 community-based, primary care clinic that has a community-based board of
16 directors and that is either:

17 (i) The sole provider of primary care in the community.

18 (ii) A nonhospital affiliated clinic that is located in a federally
19 designated medically underserved area in this state.

20 (b) Includes clinics that are being constructed as qualifying
21 community health centers.

22 13. "Qualifying health care organization" means an entity that is
23 recognized as nonprofit under section 501(c) of the United States internal
24 revenue code and that uses, saves or invests at least eighty percent of
25 all monies that it receives from all sources each year only for health and
26 medical related educational and charitable services, as documented by
27 annual financial audits prepared by an independent certified public
28 accountant, performed according to generally accepted auditing standards
29 ~~and filed annually with the department~~. Monies that are used, saved or
30 invested to lease, purchase or construct a facility for health and medical
31 related education and charitable services are included in the eighty
32 percent requirement.

33 14. "Qualifying health sciences educational institution" means an
34 entity that is recognized as nonprofit under section 501(c) of the United
35 States internal revenue code and that solely provides graduate and
36 postgraduate education in the health sciences. For the purposes of this
37 paragraph, "health sciences" includes medicine, nursing, physician's
38 assistant studies, pharmacy, physical therapy, occupational therapy,
39 biomedical sciences, podiatry, clinical psychology, cardiovascular
40 science, nurse anesthesia, dentistry, optometry and veterinary medicine.

41 15. "Qualifying hospital" means any of the following:

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

45 (b) A licensed nursing care institution or a licensed residential
46 care institution or a residential care facility operated in conjunction
47 with a licensed nursing care institution or a licensed kidney dialysis

1 center that provides medical services, nursing services or health related
2 services and that is not used or held for profit.

3 (c) A hospital, nursing care institution or residential care
4 institution that is operated by the federal government, this state or a
5 political subdivision of this state.

6 (d) A facility that is under construction and that on completion
7 will be a facility under subdivision (a), (b) or (c) of this paragraph.

8 16. "Remote seller" means a person that sells products for delivery
9 into this state and that does not have a physical presence or other legal
10 requirement to obtain a transaction privilege tax license in this state
11 other than because the person's business exceeds the threshold provided in
12 section 42-5044.

13 17. "Retailer" includes every person engaged in the business
14 classified under the retail classification pursuant to section 42-5061
15 and, when in the opinion of the department it is necessary for the
16 efficient administration of this article, includes dealers, distributors,
17 supervisors, employers and salesmen, representatives, peddlers or
18 canvassers as the agents of the dealers, distributors, supervisors or
19 employers under whom they operate or from whom they obtain the tangible
20 personal property sold by them, whether in making sales on their own
21 behalf or on behalf of the dealers, distributors, supervisors or
22 employers.

23 18. "Sale" means any transfer of title or possession, or both,
24 exchange, barter, lease or rental, conditional or otherwise, in any manner
25 or by any means whatever, including consignment transactions and auctions
26 and transactions facilitated by a marketplace facilitator on behalf of a
27 marketplace seller, of tangible personal property or other activities
28 taxable under this chapter, for a consideration, and includes:

29 (a) Any transaction by which the possession of property is
30 transferred but the seller retains the title as security for the payment
31 of the price.

32 (b) Fabricating tangible personal property for consumers who
33 furnish either directly or indirectly the materials used in the
34 fabrication work.

35 (c) Furnishing, preparing or serving for a consideration any
36 tangible personal property consumed on the premises of the person
37 furnishing, preparing or serving the tangible personal property.

38 19. "Solar daylighting" means a device that is specifically
39 designed to capture and redirect the visible portion of the solar beam,
40 while controlling the infrared portion, for use in illuminating interior
41 building spaces in lieu of artificial lighting.

42 20. "Solar energy device" means a system or series of mechanisms
43 that are designed primarily to provide heating, to provide cooling, to
44 produce electrical power, to produce mechanical power, to provide solar
45 daylighting or to provide any combination of the foregoing by means of
46 collecting and transferring solar generated energy into such uses either
47 by active or passive means, including wind generator systems that produce

1 electricity. Solar energy systems may also have the capability of storing
2 solar energy for future use. Passive systems shall clearly be designed as
3 a solar energy device, such as a trombe wall, and not merely as a part of
4 a normal structure, such as a window.

5 21. "Tangible personal property" means personal property that may
6 be seen, weighed, measured, felt or touched or that is in any other manner
7 perceptible to the senses.

8 22. "Taxpayer" means any person who is liable for any tax imposed
9 by this article.

10 23. "Tax year" or "taxable year" means either the calendar year or
11 the taxpayer's fiscal year, if permission is obtained from the department
12 to use a fiscal year as the tax period instead of the calendar year.

13 24. "Wholesaler" or "jobber" means any person who sells tangible
14 personal property for resale and not for consumption by the purchaser.

15 Sec. 3. Section 42-5061, Arizona Revised Statutes, is amended to
16 read:

17 42-5061. Retail classification; definitions

18 A. The retail classification is comprised of the business of
19 selling tangible personal property at retail. The tax base for the retail
20 classification is the gross proceeds of sales or gross income derived from
21 the business. The tax imposed on the retail classification does not apply
22 to the gross proceeds of sales or gross income from:

23 1. Professional or personal service occupations or businesses that
24 involve sales or transfers of tangible personal property only as
25 inconsequential elements.

26 2. Services rendered in addition to selling tangible personal
27 property at retail.

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

31 4. Sales of tangible personal property by any nonprofit
32 organization organized and operated exclusively for charitable purposes
33 and recognized by the United States internal revenue service under section
34 501(c)(3) of the internal revenue code.

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

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

40 7. The sale of stocks and bonds.

41 8. Drugs and medical oxygen, including delivery hose, mask or tent,
42 regulator and tank, if prescribed by a member of the medical, dental or
43 veterinarian profession who is licensed by law to administer such
44 substances.

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

1 10. Insulin, insulin syringes and glucose test strips.
2 11. Prescription eyeglasses or contact lenses.
3 12. Hearing aids as defined in section 36-1901.
4 13. Durable medical equipment that has a centers for medicare and
5 medicaid services common procedure code, is designated reimbursable by
6 medicare, is prescribed by a person who is licensed under title 32,
7 chapter 7, 8, 13, 14, 15, 17 or 29, can withstand repeated use, is
8 primarily and customarily used to serve a medical purpose, is generally
9 not useful to a person in the absence of illness or injury and is
10 appropriate for use in the home.
11 14. Sales of motor vehicles to nonresidents of this state for use
12 outside this state if either of the following applies:
13 (a) The motor vehicle dealer ships or delivers the motor vehicle to
14 a destination out of this state.
15 (b) The vehicle, trailer or semitrailer has a gross vehicle weight
16 rating of more than ten thousand pounds, is used or maintained to
17 transport property in the furtherance of interstate commerce and otherwise
18 meets the definition of commercial motor vehicle as defined in section
19 28-5201.
20 15. Food, as provided in and subject to the conditions of article 3
21 of this chapter and sections 42-5074 and 42-6017.
22 16. Items purchased with United States department of agriculture
23 coupons issued under the supplemental nutrition assistance program
24 pursuant to the food and nutrition act of 2008 (P.L. 88-525; 78 Stat. 703;
25 7 United States Code sections 2011 through 2036b) by the United States
26 department of agriculture food and nutrition service or food instruments
27 issued under section 17 of the child nutrition act (P.L. 95-627;
28 92 Stat. 3603; P.L. 99-661, section 4302; P.L. 111-296; 42 United States
29 Code section 1786).
30 17. Textbooks by any bookstore that are required by any state
31 university or community college.
32 18. Food and drink to a person that is engaged in a business that
33 is classified under the restaurant classification and that provides such
34 food and drink without monetary charge to its employees for their own
35 consumption on the premises during the employees' hours of employment.
36 19. Articles of food, drink or condiment and accessory tangible
37 personal property to a school district or charter school if such articles
38 and accessory tangible personal property are to be prepared and served to
39 persons for consumption on the premises of a public school within the
40 district or on the premises of the charter school during school hours.
41 20. Lottery tickets or shares pursuant to title 5, chapter 5.1,
42 article ~~1~~ 2.
43 21. The sale of cash equivalents and the sale of precious metal
44 bullion and monetized bullion to the ultimate consumer, but the sale of
45 coins or other forms of money for manufacture into jewelry or works of art
46 is subject to the tax and the gross proceeds of sales or gross income
47 derived from the redemption of any cash equivalent by the holder as a

1 means of payment for goods or services that are taxable under this article
2 is subject to the tax. For the purposes of this paragraph:

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

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

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

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

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

25 22. Motor vehicle fuel and use fuel that are subject to a tax
26 imposed under title 28, chapter 16, article 1, sales of use fuel to a
27 holder of a valid single trip use fuel tax permit issued under section
28 28-5739, sales of aviation fuel that are subject to the tax imposed under
29 section 28-8344 and sales of jet fuel that are subject to the tax imposed
30 under article 8 of this chapter.

31 23. Tangible personal property sold to a person engaged in the
32 business of leasing or renting such property under the personal property
33 rental classification if such property is to be leased or rented by such
34 person.

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

38 25. Tangible personal property sold to:

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

40 (b) A qualifying health care organization as defined in section
41 42-5001 if the tangible personal property is used by the organization
42 solely to provide health and medical related educational and charitable
43 services.

44 (c) A qualifying health care organization as defined in section
45 42-5001 if the organization is dedicated to providing educational,
46 therapeutic, rehabilitative and family medical education training for

1 blind and visually impaired children and children with multiple
2 disabilities from the time of birth to age twenty-one.

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

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

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

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

18 (h) Any person representing or working on behalf of another person
19 described in subdivisions (a) through (g) of this paragraph if the
20 tangible personal property is incorporated or fabricated into a project
21 described in section 42-5075, subsection 0.

22 26. Magazines or other periodicals or other publications by this
23 state to encourage tourist travel.

24 27. Tangible personal property sold to:

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

30 (i) Incorporated or fabricated by the person into any real
31 property, structure, project, development or improvement as part of the
32 business.

33 (ii) Incorporated or fabricated by the person into any project
34 described in section 42-5075, subsection 0.

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

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

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

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

7 30. Sales of tangible personal property by a nonprofit organization
8 that is exempt from taxation under section 501(c)(3), 501(c)(4) or
9 501(c)(6) of the internal revenue code if the organization is associated
10 with a major league baseball team or a national touring professional
11 golfing association and no part of the organization's net earnings inures
12 to the benefit of any private shareholder or individual. This paragraph
13 does not apply to an organization that is owned, managed or controlled, in
14 whole or in part, by a major league baseball team, or its owners,
15 officers, employees or agents, or by a major league baseball association
16 or professional golfing association, or its owners, officers, employees or
17 agents, unless the organization conducted or operated exhibition events in
18 this state before January 1, 2018 that were exempt from taxation under
19 section 42-5073.

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

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

31 33. Sales of propagative materials to persons who use those items
32 to commercially produce agricultural, horticultural, viticultural or
33 floricultural crops in this state. For the purposes of this paragraph,
34 "propagative materials":

35 (a) Includes seeds, seedlings, roots, bulbs, liners, transplants,
36 cuttings, soil and plant additives, agricultural minerals, auxiliary soil
37 and plant substances, micronutrients, fertilizers, insecticides,
38 herbicides, fungicides, soil fumigants, desiccants, rodenticides,
39 adjuvants, plant nutrients and plant growth regulators.

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

44 34. Machinery, equipment, technology or related supplies that are
45 only useful to assist a person with a physical disability as defined in
46 section 46-191 or a person who has a developmental disability as defined

1 in section 36-551 or has a head injury as defined in section 41-3201 to be
2 more independent and functional.

3 35. Sales of natural gas or liquefied petroleum gas used to propel
4 a motor vehicle.

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

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

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

32 39. Through December 31, 1994, personal property liquidation
33 transactions, conducted by a personal property liquidator. From and after
34 December 31, 1994, personal property liquidation transactions shall be
35 taxable under this section provided that nothing in this subsection shall
36 be construed to authorize the taxation of casual activities or
37 transactions under this chapter. For the purposes of this paragraph:

38 (a) "Personal property liquidation transaction" means a sale of
39 personal property made by a personal property liquidator acting solely on
40 behalf of the owner of the personal property sold at the dwelling of the
41 owner or on the death of any owner, on behalf of the surviving spouse, if
42 any, any devisee or heir or the personal representative of the estate of
43 the deceased, if one has been appointed.

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

46 40. Sales of food, drink and condiment for consumption within the
47 premises of any prison, jail or other institution under the jurisdiction

1 of the state department of corrections, the department of public safety,
2 the department of juvenile corrections or a county sheriff.

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

8 42. Sales of:

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

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

18 43. Sales of implants used as growth promotants and injectable
19 medicines, not already exempt under paragraph 8 of this subsection, for
20 livestock or poultry owned by or in possession of persons that are engaged
21 in producing livestock, poultry, or livestock or poultry products or that
22 are engaged in feeding livestock or poultry commercially. For the
23 purposes of this paragraph, "poultry" includes ratites.

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

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

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

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

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

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

43 48. Tangible personal property sold to a commercial airline and
44 consisting of food, beverages and condiments and accessories used for
45 serving the food and beverages, if those items are to be provided without
46 additional charge to passengers for consumption in flight. For the
47 purposes of this paragraph, "commercial airline" means a person holding a

1 federal certificate of public convenience and necessity or foreign air
2 carrier permit for air transportation to transport persons, property or
3 United States mail in intrastate, interstate or foreign commerce.

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

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

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

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

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

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

26 (b) "Curriculum design or enhancement" means planning, implementing
27 or reporting on courses of study, lessons, assignments or other learning
28 activities.

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

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

37 56. Sales or other transfers of renewable energy credits or any
38 other unit created to track energy derived from renewable energy
39 resources. For the purposes of this paragraph, "renewable energy credit"
40 means a unit created administratively by the corporation commission or
41 governing body of a public power utility to track kilowatt hours of
42 electricity derived from a renewable energy resource or the kilowatt hour
43 equivalent of conventional energy resources displaced by distributed
44 renewable energy resources.

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

1 58. Sales of tangible personal property incorporated or fabricated
2 into a project described in section 42-5075, subsection 0, that is located
3 within the exterior boundaries of an Indian reservation for which the
4 owner, as defined in section 42-5075, of the project is an Indian tribe or
5 an affiliated Indian. For the purposes of this paragraph:

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

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

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

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

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

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

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

37 2. Mining machinery, or equipment, used directly in the process of
38 extracting ores or minerals from the earth for commercial purposes,
39 including equipment required to prepare the materials for extraction and
40 handling, loading or transporting such extracted material to the surface.
41 "Mining" includes underground, surface and open pit operations for
42 extracting ores and minerals.

43 3. Tangible personal property sold to persons engaged in business
44 classified under the telecommunications classification, including a person
45 representing or working on behalf of such a person in a manner described
46 in section 42-5075, subsection 0, and consisting of central office
47 switching equipment, switchboards, private branch exchange equipment,

1 microwave radio equipment and carrier equipment including optical fiber,
2 coaxial cable and other transmission media that are components of carrier
3 systems.

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

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

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

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

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

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

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

30 8. Aircraft, navigational and communication instruments and other
31 accessories and related equipment sold to:

32 (a) A person:

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

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

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

46 (iv) Operating an aircraft to transport persons in any manner for
47 compensation or hire, or for use in a fractional ownership program that

1 meets the requirements of federal aviation administration regulations
2 (14 Code of Federal Regulations part 91, subpart K), including as an air
3 carrier, a foreign air carrier or a commercial operator or under a
4 restricted category, within the meaning of 14 Code of Federal Regulations,
5 regardless of whether the operation or aircraft is regulated or certified
6 under part 91, 119, 121, 133, 135, 136 or 137, or another part of 14 Code
7 of Federal Regulations.

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

13 (b) Any foreign government.

14 (c) Persons who are not residents of this state and who will not
15 use such property in this state other than in removing such property from
16 this state. This subdivision also applies to corporations that are not
17 incorporated in this state, regardless of maintaining a place of business
18 in this state, if the principal corporate office is located outside this
19 state and the property will not be used in this state other than in
20 removing the property from this state.

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

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

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

30 12. Buses or other urban mass transit vehicles that are used
31 directly to transport persons or property for hire or pursuant to a
32 governmentally adopted and controlled urban mass transportation program
33 and that are sold to bus companies holding a federal certificate of
34 convenience and necessity or operated by any city, town or other
35 governmental entity or by any person contracting with such governmental
36 entity as part of a governmentally adopted and controlled program to
37 provide urban mass transportation.

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

39 14. Machinery and equipment consisting of agricultural aircraft,
40 tractors, off-highway vehicles, tractor-drawn implements, self-powered
41 implements, machinery and equipment necessary for extracting milk, and
42 machinery and equipment necessary for cooling milk and livestock, and drip
43 irrigation lines not already exempt under paragraph 7 of this subsection
44 and that are used for commercial production of agricultural,
45 horticultural, viticultural and floricultural crops and products in this
46 state. For the purposes of this paragraph:

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

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

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

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

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

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

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

34 (ii) Over two-thirds of the transmissions, measured in megabytes,
35 transmitted by or on behalf of those direct broadcast television or data
36 transmission services during the test period were transmitted by the
37 facility to or on behalf of those services. For the purposes of
38 subdivision (b) of this paragraph, "test period" means the three hundred
39 sixty-five day period beginning on the later of the date on which the
40 tangible personal property is purchased or the date on which the direct
41 broadcast satellite television or data transmission service first
42 transmits information to its customers.

43 17. Clean rooms that are used for manufacturing, processing,
44 fabrication or research and development, as defined in paragraph 15 of
45 this subsection, of semiconductor products. For the purposes of this
46 paragraph, "clean room" means all property that comprises or creates an
47 environment where humidity, temperature, particulate matter and

1 contamination are precisely controlled within specified parameters,
2 without regard to whether the property is actually contained within that
3 environment or whether any of the property is affixed to or incorporated
4 into real property. Clean room:

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

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

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

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

30 20. Machinery and equipment that are sold to a person engaged in
31 commercially producing livestock, livestock products or agricultural,
32 horticultural, viticultural or floricultural crops or products in this
33 state, including a person representing or working on behalf of such a
34 person in a manner described in section 42-5075, subsection 0, if the
35 machinery and equipment are used directly and primarily to prevent,
36 monitor, control or reduce air, water or land pollution.

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

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

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

4 (c) Any machinery or equipment purchased after the television
5 station has ceased analog broadcasting, or purchased after November 1,
6 2009, whichever occurs first.

7 22. Qualifying equipment that is purchased from and after June 30,
8 2004 through December 31, 2026 by a qualified business under section
9 41-1516 for harvesting or processing qualifying forest products removed
10 from qualifying projects as defined in section 41-1516. To qualify for
11 this deduction, the qualified business at the time of purchase must
12 present its certification approved by the department.

13 23. Computer data center equipment sold to the owner, operator or
14 qualified colocation tenant of a computer data center that is certified by
15 the Arizona commerce authority under section 41-1519 or an authorized
16 agent of the owner, operator or qualified colocation tenant during the
17 qualification period for use in the qualified computer data center. For
18 the purposes of this paragraph, "computer data center", "computer data
19 center equipment", "qualification period" and "qualified colocation
20 tenant" have the same meanings prescribed in section 41-1519.

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

23 1. Expendable materials. For the purposes of this paragraph,
24 expendable materials do not include any of the categories of tangible
25 personal property specified in subsection B of this section regardless of
26 the cost or useful life of that property.

27 2. Janitorial equipment and hand tools.

28 3. Office equipment, furniture and supplies.

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

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

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

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

39 8. Machinery and equipment or other tangible personal property used
40 by a contractor in performing a contract.

41 D. In addition to the deductions from the tax base prescribed by
42 subsection A of this section, there shall be deducted from the tax base
43 the gross proceeds of sales or gross income derived from sales of
44 machinery, equipment, materials and other tangible personal property used
45 directly and predominantly to construct a qualified environmental
46 technology manufacturing, producing or processing facility as described in

1 section 41-1514.02. This subsection applies for ten full consecutive
2 calendar or fiscal years after the start of initial construction.

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

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

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

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

27 1. Agricultural producers who are owners, proprietors or tenants of
28 agricultural lands, orchards, farms or gardens where agricultural products
29 are grown, raised or prepared for market and who are marketing their own
30 agricultural products.

31 2. Businesses classified under the:

32 (a) Transporting classification.

33 (b) Utilities classification.

34 (c) Telecommunications classification.

35 (d) Pipeline classification.

36 (e) Private car line classification.

37 (f) Publication classification.

38 (g) Job printing classification.

39 (h) Prime contracting classification.

40 (i) Restaurant classification.

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

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

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

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

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

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

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

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

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

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

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

36 N. In computing the tax base in the case of the sale or transfer of
37 wireless telecommunications equipment as an inducement to a customer to
38 enter into or continue a contract for telecommunications services that are
39 taxable under section 42-5064, gross proceeds of sales or gross income
40 does not include any sales commissions or other compensation received by
41 the retailer as a result of the customer entering into or continuing a
42 contract for the telecommunications services.

43 O. For the purposes of this section, a sale of wireless
44 telecommunications equipment to a person who holds the equipment for sale
45 or transfer to a customer as an inducement to enter into or continue a
46 contract for telecommunications services that are taxable under section

1 42-5064 is considered to be a sale for resale in the regular course of
2 business.

3 P. Retail sales of prepaid calling cards or prepaid authorization
4 numbers for telecommunications services, including sales of
5 reauthorization of a prepaid card or authorization number, are subject to
6 tax under this section.

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

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

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

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

19 1. The transfer of title or possession of the coal is for the
20 purpose of refining the coal.

21 2. The title or possession of the coal is transferred back to the
22 owner or operator of the power plant after completion of the coal refining
23 process. For the purposes of this paragraph, "coal refining process"
24 means the application of a coal additive system that aids in the reduction
25 of power plant emissions during the combustion of coal and the treatment
26 of flue gas.

27 S. If a seller is entitled to a deduction pursuant to subsection B,
28 paragraph 16, subdivision (b) of this section, the department may require
29 the purchaser to establish that the requirements of subsection B,
30 paragraph 16, subdivision (b) of this section have been satisfied. If the
31 purchaser cannot establish that the requirements of subsection B,
32 paragraph 16, subdivision (b) of this section have been satisfied, the
33 purchaser is liable in an amount equal to any tax, penalty and interest
34 that the seller would have been required to pay under article 1 of this
35 chapter if the seller had not made a deduction pursuant to subsection B,
36 paragraph 16, subdivision (b) of this section. Payment of the amount
37 under this subsection exempts the purchaser from liability for any tax
38 imposed under article 4 of this chapter and related to the tangible
39 personal property purchased. The amount shall be treated as transaction
40 privilege tax to the purchaser and as tax revenues collected from the
41 seller to designate the distribution base pursuant to section 42-5029.

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

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

1 2. At 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 U. In computing the tax base for the sale of a motor vehicle to a
5 nonresident of this state, if the purchaser's state of residence allows a
6 corresponding use tax exemption to the tax imposed by article 1 of this
7 chapter and the rate of the tax in the purchaser's state of residence is
8 lower than the rate prescribed in article 1 of this chapter or if the
9 purchaser's state of residence does not impose an excise tax, and the
10 nonresident has secured a special ninety day nonresident registration
11 permit for the vehicle as prescribed by sections 28-2154 and 28-2154.01,
12 there shall be deducted from the tax base a portion of the gross proceeds
13 or gross income from the sale so that the amount of transaction privilege
14 tax that is paid in this state is equal to the excise tax that is imposed
15 by the purchaser's state of residence on the nonexempt sale or use of the
16 motor vehicle.

17 V. For the purposes of this section:

18 1. "Agricultural aircraft" means an aircraft that is built for
19 agricultural use for the aerial application of pesticides or fertilizer or
20 for aerial seeding.

21 2. "Aircraft" includes:

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

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

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

31 4. "Selling at retail" means a sale for any purpose other than for
32 resale in the regular course of business in the form of tangible personal
33 property, but transfer of possession, lease and rental as used in the
34 definition of sale mean only such transactions as are found on
35 investigation to be in lieu of sales as defined without the words lease or
36 rental.

37 W. For the purposes of subsection I of this section:

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

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

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

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

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

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

20 <<Sec. 4. Section 42-6009, Arizona Revised Statutes, is amended to
21 read:

22 42-6009. Online lodging; definitions

23 A. Except as provided by this section, a city, town or other taxing
24 jurisdiction may not levy a transaction privilege, sales, use, franchise
25 or other similar tax or fee, however denominated, on the business of
26 operating an online lodging marketplace or, in the case of an online
27 lodging marketplace that is licensed pursuant to section 42-5005,
28 subsection L, on any online lodging transaction facilitated by the online
29 lodging marketplace or on any online lodging operator with respect to any
30 online lodging transaction for which it has received documentation that
31 the online lodging marketplace has remitted or will remit the applicable
32 tax to the department pursuant to section 42-5014, subsection E.

33 B. In the case of an online lodging marketplace that is licensed
34 pursuant to section 42-5005, subsection L, a city, town or other taxing
35 jurisdiction may levy a transaction privilege, sales, use, franchise or
36 other similar tax or fee on an online lodging marketplace from any
37 activity subject to tax under the model city tax code, with the tax base
38 for an online [LODGING] marketplace being limited pursuant to section
39 42-5076, subject to the following conditions:

40 1. The city, town or other taxing jurisdiction tax must be
41 administered in a manner that is uniform with the treatment of online
42 lodging marketplaces, online lodging operators and online lodging
43 transactions provided by chapter 5 of this title, except that~~[-~~

44 ~~(a)]~~ the city, town or other taxing jurisdiction tax rate may be
45 different from the state tax rate prescribed by section 42-5010.

46 ~~[(b) The city, town or other taxing jurisdiction tax may apply to~~
47 ~~online lodging transactions involving rentals of lodging accommodations in~~

~~1 the city, town or other taxing jurisdiction for more than twenty-nine
2 consecutive days. With respect to any tax on rentals of lodging
3 accommodations for more than twenty-nine consecutive days, in the case of
4 an online lodging marketplace that has registered pursuant to section
5 42-5005, subsection L, the city, town or other taxing jurisdiction tax
6 must uniformly apply to all lodging accommodations in the city, town or
7 other taxing jurisdiction for thirty consecutive days or more, and the tax
8 base for the tax must be limited exclusively to online lodging
9 transactions facilitated by an online lodging marketplace for rentals of
10 lodging accommodations for thirty consecutive days or more and located in
11 the applicable city, town or other taxing jurisdiction.]~~

12 2. The city, town or other taxing jurisdiction tax shall be
13 administered, collected and enforced by the department and distributed to
14 the city, town or other taxing jurisdiction in a uniform manner.

15 3. The city, town or other taxing jurisdiction tax imposed on
16 online lodging marketplaces and online lodging operators must be uniform
17 with all other taxpayers engaging in the same activity within the
18 jurisdictional boundaries of the city, town or other taxing jurisdiction.

19 4. Any city, town or other taxing jurisdiction tax is subject to:

20 (a) Section 42-6002, relating to audits.

21 (b) Section 42-2003, subsection X, relating to confidential
22 information.

23 (c) Section 42-5003, subsection B, relating to judicial
24 enforcement.

25 (d) Section 42-5005, subsection L, relating to registration of
26 online lodging marketplaces.

27 (e) Section 42-5014, subsection E, relating to tax returns.

28 5. The city, town or other taxing jurisdiction tax may not be
29 collected from an online lodging operator with respect to any online
30 lodging transaction or transactions for which the online lodging operator
31 has received written notice or documentation from a registered online
32 lodging marketplace that it has remitted or will remit the applicable
33 city, town or other taxing jurisdiction tax with respect to those
34 transactions to the department pursuant to section 42-5014, subsection E.

35 C. For the purposes of this section, ~~["lodging accommodations",]~~
36 "online lodging marketplace", "online lodging operator" and "online
37 lodging transaction" have the same meanings prescribed in section
38 42-5076.>>

39 Sec. 5. Section 43-403, Arizona Revised Statutes, is amended to
40 read:

41 43-403. Employment excluded from withholding

42 A. No amount shall be deducted or retained from:

43 1. Wages or salary paid to an employee of a common carrier when
44 such employee is a nonresident of this state as defined in section 43-104
45 and regularly performs services both within and without this state.

46 2. Wages paid for domestic service in a private home.

1 3. Wages paid for casual labor not in the course of the employer's
2 trade or business.

3 4. Wages paid to part-time or seasonal employees whose services to
4 the employer consist solely of labor in connection with the planting,
5 cultivating, harvesting or field packing of seasonal agricultural crops,
6 except such employees whose principal duties are operating any
7 mechanically-driven device in such operations.

8 5. Wages or salary paid to a nonresident of this state who is:

9 (a) An employee of an individual, fiduciary, partnership,
10 corporation or limited liability company having property, payroll and
11 sales in this state, or of a related entity having more than fifty per
12 cent direct or indirect common ownership.

13 (b) Physically present in this state for less than sixty days in a
14 calendar year for the purpose of performing a service that will benefit
15 the employer or the related entity. For purposes of determining the
16 number of days of service in this state, days spent in the following
17 activities are not included:

18 (i) In transit.

19 (ii) Engaging in personal activities.

20 (iii) Participating in training or professional development
21 activities or attending meetings that are not directly connected to the
22 Arizona operations of the employer or the related entity.

23 6. Wages or salary paid to a nonresident who is in this state on a
24 temporary basis for the purpose of performing disaster recovery from a
25 declared disaster during a disaster period as defined in section 42-1130.

26 B. In addition to the exemptions from the withholding provisions
27 contained in subsection A of this section, because of the temporary nature
28 of such employment, no amount shall be deducted or retained from wages
29 paid to a nonresident of this state engaged in any phase of motion picture
30 production when, prior to the time of payment of such wages, an
31 application is made by the employer to the department, on forms prescribed
32 by the department, for an exemption from the withholding provisions of
33 this section and the department determines that the nonresident would be
34 allowed a credit under section 43-1096 against all of the taxes upon such
35 wages imposed by this chapter.

36 C. Subsection A, paragraph 5 of this section does not apply to a
37 nonresident employee who is in this state solely for athletic or
38 entertainment purposes.

39 D. Notwithstanding subsection A, ~~paragraph~~ PARAGRAPHS 4 AND 5 of
40 this section:

41 1. ~~The~~ A nonresident employee UNDER SUBSECTION A, PARAGRAPH 5 OF
42 THIS SECTION OR A PART-TIME OR SEASONAL EMPLOYEE UNDER SUBSECTION A,
43 PARAGRAPH 4 OF THIS SECTION may elect to have withholding deducted in the
44 manner prescribed by section 43-401, subsection E and the employer shall
45 withhold tax pursuant to that election.

46 2. The employer may elect to withhold tax from the nonresident
47 employee before the sixty-day limitation has elapsed.

1 Sec. 6. Section 43-405, Arizona Revised Statutes, is amended to
2 read:

3 43-405. Extension of withholding to gambling winnings

4 A. For the purposes of this title, payments of prize winnings that
5 are subject to federal withholding pursuant to section 1441 or section
6 3402(q) of the internal revenue code by any of the following shall be
7 treated as if they were payments of wages by an employer to employees for
8 a payroll period:

9 1. The Arizona state lottery commission under title 5, chapter 5.1.

10 2. A permittee conducting horse or dog racing under title 5,
11 chapter 1.

12 3. A fantasy sports contest operator under title 5, chapter 10.

13 4. An event wagering operator under title 5, chapter 11.

14 B. The entities listed in subsection A of this section shall deduct
15 and withhold from each payment of prize winnings made to an individual an
16 amount equal to ~~twenty percent of the amount withheld pursuant to section~~
17 ~~1441 or section 3402(q) of the internal revenue code and pay that amount~~
18 ~~to the department pursuant to this article~~ **THE HIGHEST TAX RATE PRESCRIBED**
19 **BY SECTION 43-1011.**

20 Sec. 7. Section 43-1014, Arizona Revised Statutes, is amended to
21 read:

22 43-1014. Entity-level tax election; partnerships;
23 S corporations; rules

24 A. For taxable years beginning from and after December 31, 2021,
25 the partners or shareholders of a business that is treated as a
26 partnership or S corporation for federal income tax purposes may consent
27 to be taxed at the entity level at a tax rate that is the same as the
28 highest tax rate prescribed by section 43-1011 applicable to the entire
29 portion of its taxable income that is attributable to its resident
30 partners or shareholders and the portion of its taxable income derived
31 from sources within this state that is attributable to its nonresident
32 partners or shareholders for that taxable year. The election under this
33 subsection ~~must be made on or before the due date or extended due date of~~
34 ~~the~~ **IS MADE BY FILING THE** business's return under this title.

35 B. If the election is made under subsection A of this section, all
36 of the following apply:

37 1. The taxable income of the partnership or S corporation is as
38 follows:

39 (a) For a partnership:

40 (i) For taxable years through December 31, 2022, the Arizona
41 taxable income determined under chapter 14 of this title.

42 (ii) For taxable years beginning from and after December 31, 2022,
43 the Arizona taxable income determined under chapter 14 of this title,
44 including the items that require separate computation under section
45 43-1412, paragraphs 1 through 16.

46 (b) For an S corporation, the total of all distributive income
47 passed through to the shareholders under section 43-1126, subsection B.

1 2. If the partnership or S corporation does not pay the amount owed
2 to the department as a result of the election under this section, the
3 department may collect the amount from the partners or shareholders based
4 on the proportionate share of income that is attributable to each partner
5 or shareholder for Arizona tax purposes.

6 3. The partnership or S corporation shall pay estimated tax
7 pursuant to section 43-581 as necessary.

8 C. The election under subsection A of this section does not apply
9 to the following:

10 1. Partners or shareholders that are not individuals, estates or
11 trusts. The portion of the taxable income attributable to a partner or
12 shareholder that is not an individual, estate or trust is not included in
13 the entity-level tax under subsection A of this section.

14 2. Partners or shareholders who are individuals, estates or trusts
15 and who opt out of the election pursuant to subsection D of this section.
16 The portion of the taxable income attributable to a partner or shareholder
17 who is an individual, estate or trust and who opts out of the election
18 pursuant to subsection D of this section is not included in the
19 entity-level tax under subsection A of this section.

20 D. A partnership or S corporation that intends to make the election
21 under subsection A of this section shall notify all partners or
22 shareholders who are individuals, estates or trusts of the intent to make
23 the election and that each partner or shareholder who is an individual,
24 estate or trust has the right to opt out of the election. The notice
25 shall allow each partner or shareholder who is an individual, estate or
26 trust at least sixty days after receiving the notice to notify the
27 partnership or S corporation that the partner or shareholder who is an
28 individual, estate or trust is exercising the partner's or shareholder's
29 right to opt out of the election. If the partner or shareholder who is an
30 individual, estate or trust does not respond within the sixty-day period
31 or waives the right to opt out, the partner or shareholder will be
32 included in the election.

33 E. The department shall adopt rules and prescribe forms and
34 procedures as necessary to administer this section.

35 Sec. 8. Section 43-1414, Arizona Revised Statutes, is amended to
36 read:

37 43-1414. Federal assessment of imputed underpayment;
38 definitions

39 A. A partnership that is audited by the internal revenue service
40 and that is assessed an imputed underpayment pursuant to section 6225 of
41 the internal revenue code as added by the bipartisan budget act of 2015
42 (P.L. 114-74), ~~or~~ a partnership that makes the election under section 6226
43 of the internal revenue code as added by the bipartisan budget act of 2015
44 (P.L. 114-74) OR A PARTNERSHIP THAT AMENDS ITS RETURN UNDER SECTION 6227
45 OF THE INTERNAL REVENUE CODE AS ADDED BY THE BIPARTISAN BUDGET ACT OF 2015
46 (P.L. 114-74) shall file a return for the reviewed year on a form
47 prescribed by the department that shows the adjustments to income or the

1 gain, loss or deduction on which the federal imputed underpayment was
2 based as well as any of the correlative adjustments to the additions
3 required under section 43-1021 or the subtractions required under section
4 43-1022.

5 B. If the adjustments determined in subsection A of this section
6 are:

7 1. A net increase in Arizona taxable income and paragraph 2 of this
8 subsection does not apply:

9 (a) Within ninety days after the final determination regarding the
10 adjustment from the internal revenue service, the partnership shall pay
11 the tax on the adjustments in lieu of passing the adjustments through to
12 the partners.

13 (b) The tax shall be imposed on the Arizona share of the
14 adjustments at the highest tax rate imposed on individuals under section
15 43-1011.

16 (c) Interest shall be computed pursuant to section 42-1123 for the
17 period beginning on the day after the partnership return due date for the
18 reviewed year, without regard to any extensions.

19 (d) For the purposes of imposing penalties under section 42-1125,
20 the due date of the return under subsection A of this section is the
21 ninetieth day after the final determination of the partnership adjustments
22 by the internal revenue service.

23 2. A net reduction in Arizona taxable income or a net increase in
24 Arizona taxable income of a partnership that makes the election under
25 section 6226 of the internal revenue code as added by the bipartisan
26 budget act of 2015 (P.L. 114-74), within ninety days after the final
27 determination regarding the adjustment from the internal revenue service,
28 the partnership shall furnish to each partner of the partnership and to
29 the department a statement on a form prescribed by the department of the
30 partner's share of the adjustments required in subsection A of this
31 section. The amount reported to the partner under this subsection is an
32 adjustment to the partner's share of partnership taxable income. A
33 partnership that had a net increase under this paragraph and that fails to
34 timely provide the statements required to the partners and to the
35 department shall pay the tax pursuant to paragraph 1 of this subsection in
36 lieu of the partners reporting the adjustment.

37 C. If a partnership fails to file the return that is required under
38 subsection A of this section or if the department is not satisfied with
39 the return or the payment of the tax required to be paid, the department
40 may issue a deficiency assessment to the partnership under section
41 42-1108.

42 D. If the partnership incorrectly reported the adjustments under
43 subsection A of this section that resulted in:

44 1. An understatement of the distribution of Arizona taxable income
45 to the partners under subsection B, paragraph 2 of this section, the
46 partnership shall pay the tax on the understatement by applying the

1 calculation in subsection B, paragraph 1 of this section to the unreported
2 adjustments.

3 2. An overstatement of Arizona taxable income, any adjustment shall
4 be handled as follows:

5 (a) If the adjustments were originally passed through to the
6 partners under subsection B, paragraph 2 of this section, the adjustment
7 shall be passed through to the partners. The partnership shall amend the
8 return under subsection A of this section and amend the statements
9 provided to the partners and the department under subsection B, paragraph
10 2 of this section.

11 (b) If the tax on the adjustments was originally paid by the
12 partnership pursuant to subsection B, paragraph 1 of this section, the
13 partnership shall amend the return filed pursuant to subsection B,
14 paragraph 1 of this section to claim any refund. This subdivision does
15 not allow a partnership to claim a refund for amounts not actually paid by
16 the partnership.

17 E. For the purposes of this section:

18 1. "Arizona share of the adjustments" means the adjustments
19 determined in subsection A of this section, subject to the allocation and
20 apportionment provisions of chapter 11, article 4 of this title.

21 2. "Final determination" has the same meaning prescribed in section
22 43-327.

23 3. "Reviewed year" means the partnership taxable year to which the
24 items adjusted by the internal revenue service relate.

25 Sec. 9. Laws 2023, chapter 147, section 3 is amended to read:

26 Sec. 3. Individual income tax general welfare rebate;
27 eligibility; claim application; subtraction from
28 Arizona gross income; appeal; report; legislative
29 findings; delayed repeal; definitions

30 A. The department of revenue shall issue a onetime individual
31 income tax general welfare rebate, known as the Arizona families tax
32 rebate, to an Arizona taxpayer who filed a full-year resident tax return
33 for taxable year 2021, claimed a dependent tax credit under section
34 43-1073.01, Arizona Revised Statutes, on the return and who meets one of
35 the following qualifications:

36 1. Had a tax liability of at least \$1 on the filed full-year
37 resident tax return for taxable year 2021.

38 2. If the taxpayer does not meet the tax liability requirement for
39 taxable year 2021, filed a full-year resident tax return for taxable year
40 2020 under the identical filing status used on the taxpayer's taxable year
41 2021 full-year resident tax return and had a tax liability of at least \$1
42 on the full-year resident tax return for taxable year 2020.

43 3. If the taxpayer does not meet the tax liability requirement for
44 taxable years 2021 or 2020, filed a full-year resident tax return for
45 taxable year 2019 under the identical filing status used on the taxpayer's
46 full-year resident tax returns for taxable years 2020 and 2021 and had a

1 tax liability of at least \$1 on the full-year resident tax return for
2 taxable year 2019.

3 B. If the taxpayer does not meet any of the requirements in
4 subsection A of this section, the department of revenue shall conclude
5 that the taxpayer does not meet the criteria to be issued a rebate under
6 this section.

7 C. One rebate will be issued for each full-year resident tax return
8 for taxable year 2021 that qualifies under subsection A of this section.
9 The primary taxpayer's taxpayer identification number as reported on the
10 taxpayer's full-year resident tax return for taxable year 2021 shall be
11 used as needed in subsection A of this section for matching and
12 verification purposes.

13 D. The department of revenue shall issue to a qualifying taxpayer a
14 rebate of \$250 for each dependent tax credit claimed on the taxpayer's
15 full-year resident tax return for taxable year 2021 who was under
16 seventeen years of age at the end of taxable year 2021 and \$100 for each
17 dependent who was at least seventeen years of age at the end of taxable
18 year 2021.

19 E. The department of revenue shall issue a rebate for a maximum of
20 three dependents for a qualifying taxpayer under this section. For a
21 taxpayer who claimed more than three dependents on the taxpayer's
22 full-year resident tax return for taxable year 2021, the rebate will be
23 calculated by first counting the dependents who were under seventeen years
24 of age at the end of taxable year 2021 and then, if additional dependents
25 may be claimed to meet the maximum number, the dependents who were at
26 least seventeen years of age at the end of taxable year 2021.

27 F. If a qualifying taxpayer is deceased, the taxpayer's surviving
28 spouse, personal representative or executor or another official
29 representative of the estate designated pursuant to applicable state law
30 may receive the rebate for the deceased taxpayer.

31 G. The department of revenue shall pay all rebates issued pursuant
32 to this section on or before November 15, 2023, but not earlier than
33 October 15, 2023. The department shall attempt to pay a qualifying
34 taxpayer's rebate by electronic funds transfer using the routing and
35 account information provided by the taxpayer on the taxpayer's full-year
36 resident tax return for taxable year 2021 or more recent routing and
37 account information provided by the taxpayer. If such attempt fails, or if
38 the taxpayer did not provide such routing and account information, the
39 department shall issue the rebate check by mail to the most recent home
40 address provided by the taxpayer. Any notification from the department
41 that relates to the rebate issued under this section shall state the
42 following: "This rebate is being issued pursuant to Senate Bill 1734, as
43 passed by the fifty-sixth legislature, first regular session, and signed
44 into law by the governor." No letter relating to the Arizona families tax
45 rebate issued under this section shall be sent from the governor's office,
46 be sent on the governor's letterhead or reference the governor's office.

1 H. A taxpayer who does not receive the rebate issued pursuant to
2 this section on or before November 15, 2024 may claim the rebate by filing
3 a claim application online in the form and manner prescribed by the
4 department of revenue. The claim application must include the claimant's
5 name, address, taxpayer identification number and individual income tax
6 filing status. The department shall review each claim application and
7 verify the information provided. The department may request that a
8 claimant provide evidence to verify the claimant's eligibility for the
9 rebate.

10 I. In computing Arizona adjusted gross income, any rebate received
11 by a taxpayer pursuant to this section and required to be included in
12 Arizona gross income under the internal revenue code shall be subtracted
13 from the taxpayer's Arizona gross income.

14 J. Notwithstanding any other administrative proceedings established
15 by law or by rule, all appealable agency actions as defined in section
16 41-1092, Arizona Revised Statutes, and contested cases as defined in
17 section 41-1001, Arizona Revised Statutes, relating to a rebate issued
18 pursuant to this section are governed by title 41, chapter 6, article 10,
19 Arizona Revised Statutes.

20 K. NOTWITHSTANDING ANY OTHER LAW, INTEREST DOES NOT ACCRUE AND IS
21 NOT PAYABLE FOR ANY REBATE ISSUED PURSUANT TO THIS SECTION.

22 ~~K.~~ L. On or before February 15, 2025, the director of the
23 department of revenue shall report the following information to the
24 president of the senate, the speaker of the house of representatives and
25 the director of the joint legislative budget committee:

26 1. The total dollar amount of rebates paid under this section.

27 2. The administrative costs associated with the department's
28 program for issuing the rebates under this section.

29 3. The total number of tax rebates issued.

30 ~~L.~~ M. The legislature finds that:

31 1. Inflation is at a forty-year high, putting gas, groceries and
32 other necessities out of reach for many Arizonans.

33 2. Responsible budgeting has allowed this state to take action to
34 mitigate the harmful impacts of inflation by returning a portion of the
35 surplus to this state's taxpayers with dependents.

36 ~~M.~~ N. This section is repealed from and after December 31, 2029.

37 ~~N.~~ O. For the purposes of this section:

38 1. "Arizona small business taxable income" has the same meaning
39 prescribed in section 43-1701, Arizona Revised Statutes.

40 2. "Arizona small business tax liability" means an Arizona small
41 business taxpayer's Arizona small business taxable income multiplied by
42 the Arizona small business' applicable tax rate as prescribed by section
43 43-1711, Arizona Revised Statutes, plus any amount of recaptured Arizona
44 small business income tax credits, minus any nonrefundable and refundable
45 Arizona small business income tax credits claimed by the Arizona small
46 business taxpayer under title 43, chapter 17, article 5, Arizona Revised
47 Statutes.

1 3. "Taxable income" has the same meaning prescribed in section
2 43-1001, Arizona Revised Statutes.

3 4. "Tax liability" means the taxpayer's taxable income multiplied
4 by the taxpayer's applicable tax rate as prescribed in section 43-1011,
5 Arizona Revised Statutes, plus any amount of recaptured income tax credits
6 and the taxpayer's Arizona small business tax liability, if any, minus the
7 sum of nonrefundable and refundable income tax credits claimed by the
8 taxpayer under title 43, chapter 10, article 5, Arizona Revised Statutes.

9 Sec. 10. Retroactivity

10 A. Section 43-1014, Arizona Revised Statutes, as amended by this
11 act, applies retroactively to taxable years beginning from and after
12 December 31, 2021.

13 B. Laws 2023, chapter 147, section 3, as amended by this act,
14 applies retroactively to from and after October 29, 2023.

15 Enroll and engross to conform

16 Amend title to conform

JUSTIN OLSON

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