ARIZONA HOUSE OF REPRESENTATIVES
Fifty-seventh Legislature - First Regular Session

# COMMITTEE ON COMMERCE

Report of Regular Meeting
Tuesday, February 4, 2025
House Hearing Room 5 -- 2:00 P.M. OR UPON RECESS OR ADJOURNMENT OF FLOOR

**Convened** 2:02 P.M.
**Adjourned** 6:26 P.M.

MINUTES RECEIVED
CHIEF CLERK'S OFFICE
2/5/25

**Members Present**
Representative Aguilar
Representative Blackman
Representative Cavero
Representative Connolly
Representative Diaz
Representative Hendrix
Representative Villegas
Representative Wilmeth
Representative Way, Vice-Chairman
Representative Weninger, Chairman

**Members Absent**

**Agenda**
Original Agenda – Attachment 1

**Request to Speak**
Report – Attachment 2

**Committee Attendance**
Report – Attachment 3

**Committee Action**

| Bill | Action | Vote | Attachments |
|---|---|---|---|
| HB2322 | DPA | 10-0-0-0 | 4,5,6 |
| HB2704 | DPA | 8-1-1-0 | 7,8,9 |
| HB2659 | DP | 10-0-0-0 | 10,11 |
| HB2047 | DP | 10-0-0-0 | 12,13 |
| HB2048 | DP | 10-0-0-0 | 14,15 |
| HB2450 | DP | 6-3-1-0 | 16,17 |
| HB2629 | DP | 7-3-0-0 | 18,19 |
| HB2381 | DPA | 10-0-0-0 | 20,21,22 |
| HB2068 | DP | 7-2-1-0 | 23,24 |
| HB2175 | DPA | 10-0-0-0 | 25,26,27 |
| HB2110 | DPA | 10-0-0-0 | 28,29,30 |
| HB2624 | DP | 10-0-0-0 | 31,32 |
| HB2370 | DP | 8-2-0-0 | 33,34 |
| HB2345 | DP | 10-0-0-0 | 35,36 |

Abby Selvey
Abby Selvey, Committee Secretary
February 5, 2025

(Original attachments on file in the Office of the Chief Clerk; video archives available at http://www.azleg.gov)

Conv: 2:02 pm
Adjrn: 6:26 pm

**REVISED - 2/03/25** **REVISED - 2/03/25** **REVISED - 2/03/25**

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-seventh Legislature - First Regular Session

REGULAR MEETING AGENDA

**COMMITTEE ON COMMERCE**

DATE Tuesday, February 4, 2025 ROOM HHR 5 TIME 2:00 P.M. or upon recess or adjournment of Floor

Members of the public may access a livestream of the meeting here:
https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2025021007

Members:

Representative Aguilar
Representative Blackman
Representative Cavero
Representative Connolly
Representative Diaz
Representative Hendrix
Representative Villegas
Representative Wilmeth
Representative Way, Vice-Chairman
Representative Weninger, Chairman

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| Bills | | Short Title | Strike Everything Title |
|---|---|---|---|
| HB2047 | DP | judicial appraisal; costs; attorney fees (Kolodin) | |
| | 10-0-0-0 | COM, RULES | |
| HB2048 | DP | sales of securities; definition (Kolodin) | |
| | 10-0-0-0 | COM, RULES | |
| HB2068 | DP | landlord tenant; assistance animals (Kupper) | |
| | 7-2-1-0 | COM, RULES | |
| HB2110 | DPA | development; adaptive reuse; rezoning; prohibition (Biasiucci) | |
| | 10-0-0-0 | COM, RULES | |
| HB2175 | DPA | claims; prior authorization; conduct (Willoughby) | |
| | 10-0-0-0 | COM, RULES | |
| ~~HB2233~~ | | ~~elevator contractors; elevator mechanics; regulation~~ ~~(Hendrix)~~ | |
| | | ~~COM, RULES~~ | |



ATTACHMENT 1

| Bills | | Short Title | Strike Everything Title |
|---|---|---|---|
| HB2322 | DPA | condominiums; commercial structures; residential structures | |
| | | (Weninger) | |
| | 10-0-0-0 | COM, RULES | |
| HB2345 | DP | loan agreements; escrow | |
| | | (Hendrix) | |
| | 10-0-0-0 | COM, RULES | |
| HB2370 | DP | entrance fee; refunds; time frame | |
| | | (Gress) | |
| | 8-2-0-0 | COM, RULES | |
| HB2381 | DPA | wage claims; employment practices | |
| | | (Hernandez A: Garcia, Hernandez C, et al) | |
| | 10-0-0-0 | COM, RULES | |
| *HB2450 | DP | unemployment insurance; benefit amounts | |
| | | (Carbone: Willoughby, Wilmeth, et al) | |
| | 6-3-1-0 | COM, RULES | |
| HB2624 | DP | timeshare salespersons; licensure | |
| | | (Weninger) | |
| | 10-0-0-0 | COM, RULES | |
| HB2629 | DP | merchant; fees; calculation; transactions; penalty | |
| | | (Weninger) | |
| | 7-3-0-0 | COM, RULES | |
| HB2659 | DP | transfer to minors; age increase | |
| | | (Carter N) | |
| | 10-0-0-0 | COM, RULES | |
| HB2704 | DPA | tax; distribution; county stadium district | |
| | | (Weninger: Carbone, Carter N, et al) | |
| | 8-1-1-0 | COM, RULES | |

* On previous agenda

**ORDER OF BILLS TO BE SET BY THE CHAIRMAN**

VC
~~01/29/2025~~
02/03/2025

**People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032 or through Arizona Relay Service 7-1-1.**

# Information Registered on the Request to Speak System

## *House Commerce (2/4/2025)*

### HB2047, judicial appraisal; costs; attorney fees

### HB2048, sales of securities; definition

**Oppose:**
Rachel Walden, representing self

### HB2068, landlord tenant; assistance animals

**Testified in support:**
Mark Zinman, representing self; Lisa Rosenfeld, representing self

**Testified as opposed:**
Drew Schaffer, WM E MORRIS INSTITUTE FOR JUSTICE

**Support:**
Susan Brenton, AZ Association Of RV Parks & Campgrounds, MANUFACTURED HOUSING COMMUNITIES OF AZ INC; Courtney Gilstrap LeVinus, Arizona Multihousing Association

**Oppose:**
April Reed, Ability360; Cheyenne Walsh, ARIZONA PARTNERSHIP FOR PEOPLE AND PETS (APPP)

### HB2110, development; adaptive reuse; rezoning; prohibition

**Testified in support:**
Courtney Gilstrap LeVinus, Arizona Multihousing Association

**Testified as neutral:**
Nick Ponder, City Of Phoenix, LEAGUE OF ARIZONA CITIES & TOWNS

**Support:**
Mike Huckins, GREATER PHOENIX CHAMBER OF COMMERCE; Mary Evelyn Simpson, representing self; Peter Asencio, representing self; Wendy Radimer, representing self; Paul Johnson, representing self; Clark Princell, VALLEY PARTNERSHIP

**Oppose:**
Dale Wiebusch, "SCOTTSDALE, CITY OF "

ATTACHMENT 2

## All Comments:

Mary Evelyn Simpson, Self: YavGOOP pC Support. We have a serious housing shortage. Thhis is awise and commons sense way to reuse the growing unutilized commercial spaces.; Peter Asencio, Self: I am a PC Captain, AZ State Committeeman. Here in ARIZONA we have a cost prohibitive housing shortage, We need to make use of empty buildings and make them live able for our hard working low income people.; Wendy Radimer, Self: I Support this bill. Wendy Radimer Yavapai County PC; Paul Johnson, Self: I fully support this bill. Arnold Paul Johnson, Precinct Committeeman, Yavapai County

# HB2175, claims; prior authorization; conduct

## Testified in support:

Christina Corieri, AZ MEDICAL ASSN

## Testified as opposed:

Chad Heinrich, Arizonans For Affordable Health Coverage

## Support:

Jessica Rainbow, AMERICAN COLLEGE OF OBSTETRICIANS & GYNECOLOGISTS, ARIZONA ALLIANCE FOR COMMUNITY HEALTH CENTERS; John Thomas, AZ CHAPTER AMERICAN COLLEGE EMERGENCY PHYSICIANS (AZACEP); Kathyrn Busby, Arizona Nurses Association; Laura Dearing, The Arizona Academy Of Family Physicians; Fred Olsen, representing self; William Brian Powley, DDS, representing self; Eve Shapiro, representing self; Daniel Klemmedson, MD, DDS, representing self; Pete Mellas, representing self; Terrence Yu, representing self; Emily Rice, MGA Home Health Care; Mary Evelyn Simpson, representing self; Peter Asencio, representing self; Mike Gardner, COMMUNITY HEALTH SYSTEMS; Brittney Kaufmann, HEALTH SYSTEM ALLIANCE OF ARIZONA; Douglas Lowden, NORTHERN ARIZONA HEALTHCARE; deana corsa, representing self; Michelle Coldwell, Arizona Council Of Human Service Providers; Anthony Caputo, representing self; Wendy Radimer, representing self; Paul Johnson, representing self; Regina Cobb, representing self; Damien Johnson, AZ HOSPITAL & HEALTHCARE ASSN; Brett Galley, ENVISION HEALTHCARE; Dianne McCallister, AZ PHARMACY ASSOCIATION; Gregory Edmonds, representing self; Amanda Sheinson, AZ MEDICAL ASSN; Sarah Lee-Davisson, representing self; Dr. Corinna Saldanha, representing self

## Oppose:

Chuck Bassett, Blue Cross Blue Shield Of AZ; Mike Huckins, GREATER PHOENIX CHAMBER OF COMMERCE; Kelsey Lundy, Pharmaceutical Care Management Association (PCMA)

## All Comments:

Mary Evelyn Simpson, Self: YavGOP PC. Suppport. Healthcare providers must have a human review claiams or prior authorization befire denying. Bans use of AI to categorically deny claims beyond the ones that are specifically "not covered" services; Peter Asencio, Self: I am a PC Captain, AZ State Committeeman. I would like to know the reasons for my denial of insurence claims from my health care provider.; deana corsa, Self: PC Prescott; Anthony Caputo, Self: It is important for healthcare providers to be more accountable when processing claims. Utilizing a healthcare professional to individually review submitted claims is appropriate and fair.; Wendy Radimer, Self: I Support this bill. Wendy Radimer Yavapai County PC; Paul Johnson, Self: I fully support this bill. Arnold Paul Johnson, Precinct Committeeman, Yavapai County; Regina Cobb, Self: Az Dental Associaton; Sarah Lee-Davisson, Self: this is a great bill, helping patients and doctors make sure that someone has reviewed the case before

denying the prior authorization; Dr. Corinna Saldanha, Self: AI has some role in healthcare but it should NEVER be the final decision maker when it comes to patient's health; Chuck Bassett, Blue Cross Blue Shield Of AZ: We oppose HB 2175 and the amendment today, but remain committed to working on the bill. We need to tread carefully so as not to stifle appropriate uses of technology that can increase efficiency in the healthcare system; Mike Huckins, GREATER PHOENIX CHAMBER OF COMMERCE: Respectfully opposed at this time.

## HB2322, condominiums; commercial structures; residential structures

### Testified in support:

Dennis J Legere, ARIZONA HOMEOWNERS COALITION; Jake Hinman, BROTHER'S TAILORS

### Support:

Paige Livingston, representing self

### Neutral:

Jason Barraza, Associate Director, ARIZONA ASSOCIATION OF COMMUNITY MANAGERS (AACM); Jeff Sandquist, ARIZONA ASSOCIATION OF COMMUNITY MANAGERS (AACM)

### All Comments:

Dennis J Legere, ARIZONA HOMEOWNERS COALITION: We support this bill but a change is required to protect the misapplication of this bill by association attorneys. Structures must be stated in the plural to ensure that common expenses of any residential structure applies to all residential structur; Jeff Sandquist, ARIZONA ASSOCIATION OF COMMUNITY MANAGERS (AACM): With the amendment

## HB2345, loan agreements; escrow

## HB2370, entrance fee; refunds; time frame

### Testified as opposed:

Don Isaacson, LEADINGAGE ARIZONA

### Support:

Brendon Blake, AARP

### Oppose:

Marie Isaacson, ARIZONA LEADINGAGE

### All Comments:

Brendon Blake, AARP: This bill is supported by AARP's consumer protection goals as stated in our policy book.

## HB2381, wage claims; employment practices

### Support:

Mary Pradelt, representing self; Craig McDermott, representing self; Dianne Post, AZ NATIONAL ORGANIZATION FOR WOMEN (NOW), Self; Daniella Smith, Arizona Coalition For Working Families; Sharon Lee, representing self; Bobbie Howard, representing self; Martha O'Connor, representing self; Kathleen Dubbs, representing self; Nancy Lecrone Nonini, representing self; Beth Ballmann, representing self; Philip Carman, representing self

### Neutral:

L Carpenter, INDUSTRIAL COMMISSION OF AZ

### Oppose:

Eve Shapiro, representing self

### All Comments:

Beth Ballmann, Self: Benefits workers.; Philip Carman, Self: This will greatly benefit low-wage earners making wage claims.

## HB2450, unemployment insurance; benefit amounts

### Testified in support:

Brian Sikma, representing self

### Testified as opposed:

Deborah Howard, representing self; Julie Coburn, representing self; Nicholas Mink, representing self; Brenda Munoz Furnish, William E. Morris Institute For Justice

### Neutral:

Melanie Richards, AZ DEPT OF ECONOMIC SECURITY

### Oppose:

Blake Lister, Opportunity Arizona; Craig McDermott, representing self; Daniella Smith, Arizona Coalition For Working Families; Maggie Huntington, representing self; Geraldine Miranda, THE ARIZONA CENTER FOR ECONOMIC PROGRESS; Delphina Thomas, representing self; Victor Peterson, representing self

### All Comments:

Nicholas Mink, Self: Apologies if I cannot be here as I was getting off of work but this is a blatant attempt to steal money from everyday Arizonans to finance the Arizona GOP's terrible economic and social policies such as the ESA voucher program. Vote no on this theft

## HB2624, timeshare salespersons; licensure

### Testified in support:

Don Isaacson, AMERICAN RESORT DEVELOPMENT ASSOCIAITON; James Knupp, AZ DEPT OF REAL ESTATE

### Support:
Marie Isaacson, AMERICAN RESORT DEVELOPMENT ASSN

## HB2629, merchant; fees; calculation; transactions; penalty

### Testified in support:
Chad Heinrich, NATIONAL FEDERATION OF INDEPENDENT BUSINESS; Dan Bogert, AZ RESTAURANT ASSOCIATION; Josh Ruggiero, representing self; John Drechny, representing self; Tad Peelen, representing self

### Testified as opposed:
Wendy Briggs, AMERICAN EXPRESS COMPANY, Arizona Bankers Association; Steven Rauschenberger, representing self; Karen Roch, representing self; Troy Stang, representing self

### Support:
Trish Hart, Arizona Food Marketing Alliance; Reuben Minkus, representing self; Dave Karsten, representing self; Julie Buchkowski, representing self; Kayla Gatti, representing self; Josh Kinsey, representing self; Shawn Frate, representing self; Lenora Bateman, representing self; Michelle Ahlmer, ARIZONA RETAILERS ASSOCIATION; Amanda Gray, Arizona Petroleum Marketers Association; Mike Williams, AZ PETROLEUM MARKETERS ASSN

### Oppose:
Paul Hickman, representing self; Susie Stevens, Gowest Credit Union Association ; Jaime Molera, JPMORGAN CHASE HOLDINGS LLC; John MacDonald, American Airlines; Jeremy Gerlach, AMERICAN EXPRESS COMPANY; Kerry L. Hayden, UNITED SERVICES AUTOMOBILE ASSN (USAA); Jose Torres, TECHNOLOGY NETWORK AKA TECHNET; Brooke Parent, Gowest Credit Union Association ; Joe Adamack, representing self

### All Comments:
John Drechny, Self: I do want to speak in Committee today

## HB2659, transfer to minors; age increase

### Oppose:
Barbara Meaney, Electronic Payments Coalition

## HB2704, tax; distribution; county stadium district

### Testified in support:
Amilyn Pierce, AZ DIAMONDBACKS; Courtney Coolidge, AZ CHAMBER OF COMMERCE; Luis Gonzalez, representing self; Theodore Myers, representing self; Mike Huckins, GREATER PHOENIX CHAMBER OF COMMERCE; Kim Sabow, ARIZONA LODGING AND TOURISM ASSOCIATION

### Testified as neutral:
AZ Building Trades Council And UA Local 469 Plumbers and Pipefitters, representing self

## Testified as opposed:

Kevin McCarthy, ARIZONA TAX RESEARCH ASSOCIATION (ATRA); Joseph Palomino, THE ARIZONA CENTER FOR ECONOMIC PROGRESS; Margaret Shultz, representing self; Zach Schira, MARICOPA COUNTY

## Support:

Jason Barraza, Associate Director, Arizona Diamondbacks; James Hamilton, PHOENIX RACEWAY; Paul Senseman, Arizona Complete Health; John MacDonald, VISIT PHOENIX; Steve Barclay, BEER & WINE DISTRIBUTORS OF ARIZONA; Jeremy Gerlach, UNITED DAIRYMEN OF ARIZONA; Shaun Rieve, Arizona Diamondbacks, Self; Josh Stine, representing self; Adam Goodman, representing self; Edie Lefevre, FOUNDATION FOR BLIND CHILDREN; Ryan Sullivan, Arizona Diamondbacks; Patrick McDaniel, PHOENIX COMMUNITY ALLIANCE; Clark Princell, VALLEY PARTNERSHIP; Jason Bell, representing self; Tom Doescher , representing self

## Oppose:

Stephen Flaaen, representing self; Tom Dorn, City Of Phoenix; Tom Savage, LEAGUE OF ARIZONA CITIES & TOWNS; Buffalo Rick Galeener, representing self

## All Comments:

Courtney Coolidge, AZ CHAMBER OF COMMERCE: Support; Paul Senseman, Arizona Complete Health: On behalf of Arizona Tourism and Lodging Association, as well Arizona Complete Health.; Jeremy Gerlach, UNITED DAIRYMEN OF ARIZONA: .; Shaun Rieve, Arizona Diamondbacks, Self: On Behalf of the Arizona Diamondbacks; Josh Stine, Self: Boys & Girls Clubs of the Valley; Ryan Sullivan, Arizona Diamondbacks: on behalf of the Arizona Diamondbacks; Patrick McDaniel, PHOENIX COMMUNITY ALLIANCE: Phoenix Community Alliance supports HB2704. It is vital that all involved stakeholders come together for collaborative conversations as this legislation advances.; Stephen Flaaen, Self: The funds used as a result of this bill can be spent in many better areas than on Chase Field. As a Diamondbacks fan, I would rather pay a higher ticket price to cover stadium maintenance and upgrades than have tax funds diverted.; Margaret Shultz, Self: I would like to speak at the committee meeting.; Zach Schira, MARICOPA COUNTY: Maricopa County opposes inclusion of voter approved excise taxes. If removed, resolves concerns.; Buffalo Rick Galeener, Self: Bad idea!!!!!; AZ Building Trades Council And UA Local 469 Plumbers and Pipefitters, Self: Public funding should also support the public. PLA for the safety of workers.

# PLEASE COMPLETE THIS FORM FOR THE PUBLIC RECORD

## HOUSE OF REPRESENTATIVES

Please PRINT Clearly

Committee on Commerce Bill Number HB 2370

Date 2-4-25 ☑ Support ☐ Oppose ☐ Neutral

Name Barbara Taylor Need to Speak? ☑ Yes ☐ No

Representing — Are you a registered lobbyist? NO

Complete Address 6986 E. Soaring Eagle Way Scottsdale, AZ

E-mail Address barbarabtaylor2217@gmail.com Phone Number 480-636-0410

Comments: _____

***FIVE-MINUTE SPEAKING LIMIT***

**PLEASE COMPLETE THIS FORM FOR THE PUBLIC RECORD**

**HOUSE OF REPRESENTATIVES**

Please PRINT Clearly

Committee on Commerce Bill Number 2381

Date 02/04/25 ☒ Support ☐ Oppose ☐ Neutral

Name Cesar Corral Need to Speak? ☒ Yes ☐ No

Representing Western States Regional Council of Carpenters Are you a registered lobbyist? Y

Complete Address

E-mail Address cesar@azleg.gov Phone Number 602 748 7962

Comments:

***FIVE-MINUTE SPEAKING LIMIT***

**PLEASE COMPLETE THIS FORM FOR THE PUBLIC RECORD**

**HOUSE OF REPRESENTATIVES**

Please PRINT Clearly

Committee on Commerce Bill Number HB 2381

Date 02/04/25 ☑ Support ☐ Oppose ☐ Neutral

Name Cesar Conrad Need to Speak? ☒ Yes ☐ No

Representing Western States Carpenters Are you a registered lobbyist? Y

Complete Address Cesar@Westwoodaz.com

E-mail Address Cesar@westwoodaz Phone Number 602 748 7902

Comments: _____

_____

*****FIVE-MINUTE SPEAKING LIMIT*****

# ARIZONA STATE LEGISLATURE

Fifty-seventh Legislature - First Regular Session

## COMMITTEE ATTENDANCE RECORD

COMMITTEE ON **COMMERCE**

CHAIRMAN: Jeff Weninger VICE-CHAIRMAN: Michael Way

| | DATE | 01/14/25 | 1/28/25 | 2/4 /25 | /25 | /25 |
|---|---|---|---|---|---|---|
| | CONVENED | 2:07pm | 2:05pm | 2:02pm | m | m |
| | RECESSED | | | | | |
| | RECONVENED | | | | | |
| | ADJOURNED | 5:10pm | 4:10pm | 6:26pm | | |
| MEMBERS | | | | | | |
| Aguilar | | ✓ | ✓ | ✓ | | |
| Blackman | | ✓ | ✓ | ✓ | | |
| Cavero | | ✓ | ✓ | ✓ | | |
| Connolly | | ✓ | ✓ | ✓ | | |
| Diaz | | ✓ | ✓ | ✓ | | |
| Hendrix | | ✓ | ✓ | ✓ | | |
| Villegas | | ✓ | ✓ | ✓ | | |
| Wilmeth | | ✓ | ✓ | ✓ | | |
| Way, Vice-Chairman | | ✓ | ✓ | ✓ | | |
| Weninger, Chairman | | ✓ | ✓ | ✓ | | |

√ Present --- Absent exc Excused

ATTACHMENT 3

# ARIZONA HOUSE OF REPRESENTATIVES

Fifty-seventh Legislature
First Regular Session

**HB 2322: condominiums; commercial structures; residential structures**
**Sponsor: Representative Weninger, LD 13**
**Committee on Commerce**

**Overview**
Provides requirements for the allocation of common expenses for condominiums that include commercial structures that are separate from residential structures.

**History**
A condominium association imposes an assessment on each unit owner to defray the cost of common expenses. Common expenses are expenditures made by or financial liabilities of the association. Generally, common expenses include costs for maintaining, repairing and replacing the common elements of the community. Statute dictates that any common expense associated with the maintenance, repair or replacement of a limited common element to be equally assess against the units to which the limited common element is assigned and a common expense benefitting fewer than all of the units to be assessed exclusively against the units benefitted (Title 33, Chapter 9, A.R.S.)

**Provisions**
1. Stipulates, for condominiums that include a commercial structure that is separate from a residential structure, all the following apply:
   a) any common expense or portion of a common expense that exclusively benefits the commercial structure must be assessed exclusively against the units in the commercial structure;
   b) any common expense or portion of a common expense that exclusively benefits the residential structure must be assessed exclusively against the units in the residential structure;
   c) any common expense or portion of a common expense that exclusively benefits both the commercial and the residential structures must be assessed in proportion to the structures benefitted on a pro rata basis.
   d) In any dispute over the allocation of a common expense or portion of a common expense, the association bears the burden of proving that it is in compliance with allocation requirements of assessing common expenses. (Sec. 1)
2. Defines pertinent terms. (Sec. 1)
3. Makes technical changes. (Sec. 1)
4. Applies the allocation of common expense assessment requirements to condominiums existing after the effective date. (Sec. 2)

☐ Prop 105 (45 votes) ☐ Prop 108 (40 votes) ☐ Emergency (40 votes) ☐ Fiscal Note



ATTACHMENT 4

Fifty-seventh Legislature
First Regular Session

Commerce
H.B. 2322

PROPOSED
HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2322
(Reference to printed bill)

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

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

Section 1. Section 33-1255, Arizona Revised Statutes, is amended to read:

33-1255. Assessments for common expenses; commercial structures; applicability; definitions

A. Until the association makes a common expense assessment, the declarant shall pay all common expenses. After any assessment has been made by the association, assessments shall be made at least annually, based on a budget adopted at least annually by the association.

B. Except for assessments under subsections C, D, E, ~~and~~ F AND H of this section, all common expenses shall be assessed against all the units in accordance with the allocations set forth in the declaration pursuant to section 33-1217, subsection A. Any past due common expense assessment or installment bears interest at the rate established by the board subject to the condominium documents.

C. Unless otherwise provided for in the declaration, all of the following apply:

1. Any common expense associated with the maintenance, repair or replacement of a limited common element shall be equally assessed against the units to which the limited common element is assigned.

2. Any common expense or portion of a common expense benefitting fewer than all of the units shall be assessed exclusively against the units benefitted.

D. Assessments to pay a judgment against the association may be made only against the units in the condominium at the time the judgment was entered, in proportion to their common expense liabilities.

Adopted ✓ # of Verbals _____
Failed _____ Withdrawn _____
Not Offered ____ Analysts Initials ___

ATTACHMENT 5

E. If any common expense is caused by the misconduct of any unit owner, the association may assess that expense exclusively against that unit.

F. If the declaration so provides, the common expense assessment for any unit on which construction has not been substantially completed may be an amount ~~which~~ THAT is ~~not less than~~ AT LEAST twenty-five ~~per cent~~ PERCENT of the common expense assessment for units ~~which~~ THAT have been substantially completed. However, this reduced common expense assessment shall not be ~~permitted,~~ ALLOWED unless the declarant is obligated under the declaration to pay to the association any deficiency in monies due to the declarant having paid a reduced common assessment and necessary for the association to be able to timely pay all common expenses.

G. If common expense liabilities are reallocated, common expense assessments and any installment on the assessments not yet due shall be recalculated in accordance with the reallocated common expense liabilities.

H. NOTWITHSTANDING ANY PROVISION IN THE CONDOMINIUM DOCUMENTS, IF A CONDOMINIUM INCLUDES [~~*~~] [ONE OR MORE] COMMERCIAL [~~STRUCTURE~~] [STRUCTURES] THAT [~~IS~~] [ARE] SEPARATE FROM [~~*~~] [ONE OR MORE] RESIDENTIAL [~~STRUCTURE~~] [STRUCTURES], ALL OF THE FOLLOWING APPLY:

1. ANY COMMON EXPENSE OR PORTION OF A COMMON EXPENSE THAT EXCLUSIVELY BENEFITS THE COMMERCIAL [~~STRUCTURE~~] [STRUCTURES] SHALL BE ASSESSED EXCLUSIVELY AGAINST THE UNITS IN THE COMMERCIAL [~~STRUCTURE~~] [STRUCTURES], WHETHER ASSESSED IN A GENERAL ASSESSMENT OR SPECIAL ASSESSMENT OR OTHERWISE.

2. ANY COMMON EXPENSE OR PORTION OF A COMMON EXPENSE THAT EXCLUSIVELY BENEFITS THE RESIDENTIAL [~~STRUCTURE~~] [STRUCTURES] SHALL BE ASSESSED EXCLUSIVELY AGAINST THE UNITS IN THE RESIDENTIAL [~~STRUCTURE~~] [STRUCTURES], WHETHER ASSESSED IN A GENERAL ASSESSMENT OR SPECIAL ASSESSMENT OR OTHERWISE.

3. ANY COMMON EXPENSE OR PORTION OF A COMMON EXPENSE THAT BENEFITS BOTH THE COMMERCIAL [~~STRUCTURE~~] [STRUCTURES] AND THE RESIDENTIAL [~~STRUCTURE~~] [STRUCTURES] SHALL BE ASSESSED IN PROPORTION TO THE [CATEGORY OF THE] STRUCTURES BENEFITTED, WHETHER ASSESSED IN A GENERAL ASSESSMENT OR SPECIAL ASSESSMENT OR OTHERWISE. THE PROPORTIONAL SHARE OF THE COMMON EXPENSES THAT BENEFIT THE COMMERCIAL [~~STRUCTURE~~] [STRUCTURES] SHALL THEREAFTER BE ASSESSED AGAINST THE UNITS IN THE COMMERCIAL [~~STRUCTURE~~] [STRUCTURES] ON A PRO RATA BASIS, AND THE PROPORTIONAL SHARE OF THE COMMON EXPENSES THAT BENEFIT THE RESIDENTIAL [~~STRUCTURE~~] [STRUCTURES] SHALL THEREAFTER BE ASSESSED AGAINST THE UNITS IN THE RESIDENTIAL [~~STRUCTURE~~] [STRUCTURES] ON A PRO RATA BASIS.

4. IN ANY DISPUTE OVER THE ALLOCATION OF A COMMON EXPENSE OR PORTION OF A COMMON EXPENSE, THE ASSOCIATION [~~BEARS THE BURDEN OF PROVING BY CLEAR AND CONVINCING EVIDENCE THAT IT HAS ALLOCATED THE COMMON EXPENSE OR PORTION OF A COMMON EXPENSE IN COMPLIANCE WITH THIS SECTION~~] [SHALL MAKE AVAILABLE AS PRESCRIBED BY SECTION 33-1258 ALL RECORDS RELATING TO THE ASSOCIATION'S ALLOCATION OF A COMMON EXPENSE OR PORTION OF A COMMON

EXPENSE. THE ASSOCIATION MAY NOT WITHHOLD A RECORD BASED ON THE PENDENCY OF LITIGATION RELATING TO THE ALLOCATION OF A COMMON EXPENSE OR PORTION OF A COMMON EXPENSE IF THE RECORD WOULD OTHERWISE BE AVAILABLE TO A UNIT OWNER UNDER SECTION 33-1258].

~~H.~~ I. This section does not apply to timeshare plans or associations that are subject to chapter 20 of this title.

J. FOR PURPOSES OF THIS SECTION:

1. "COMMERCIAL STRUCTURE" MEANS A STRUCTURE IN WHICH A MAJORITY OF THE UNITS ARE DESIGNATED FOR COMMERCIAL OR WORK PURPOSES AND IS SEPARATE FROM A RESIDENTIAL STRUCTURE IF NO RESIDENTIAL UNITS ARE LOCATED ON TOP OF OR BELOW THE COMMERCIAL STRUCTURE.

2. "COMMON EXPENSES" HAS THE SAME MEANING PRESCRIBED IN SECTION 33-1202.

3. "RESIDENTIAL STRUCTURE" MEANS A STRUCTURE IN WHICH A MAJORITY OF THE UNITS ARE DESIGNATED FOR RESIDENTIAL PURPOSES.

Sec. 2. Applicability

Section 33-1255, Arizona Revised Statutes, as amended by this act, applies to any condominium existing on or after the effective date of this act.

Enroll and engross to conform
Amend title to conform

JEFF WENINGER

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# ARIZONA HOUSE OF REPRESENTATIVES
## Fifty-seventh Legislature - First Regular Session

## ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. HB 2322

DATE February 04, 2025 MOTION: DPA

| | PASS | AYE | NAY | PRESENT | ABSENT |
|---|---|---|---|---|---|
| Aguilar | | ✓ | | | |
| Blackman | | ✓ | | | |
| Cavero | | ✓ | | | |
| Connolly | | ✓ | | | |
| Diaz | | ✓ | | | |
| Hendrix | | ✓ | | | |
| Villegas | | ✓ | | | |
| Wilmeth | | ✓ | | | |
| Way, Vice-Chairman | | ✓ | | | |
| Weninger, Chairman | | ✓ | | | |
| | | 10 | 0 | 0 | 0 |

Abby Selvey
COMMITTEE SECRETARY

APPROVED:

JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 6

# ARIZONA HOUSE OF REPRESENTATIVES

Fifty-seventh Legislature
First Regular Session

**HB 2704: tax; distribution; county stadium district**
**Sponsor: Representative Weninger, LD 13**
**Committee on Commerce**

**Overview**
Creates a funding mechanism for reconstructing, equipping, repairing, maintaining or improving the Major League Baseball facility owned and operated by the County Stadium District.

**History**
The Maricopa County Stadium District was formed in accordance with A.R.S. § 48-4202(A) through action of the Maricopa County Board of Supervisors in September 1991. The Stadium District owns Chase Field, home of the Arizona Diamondbacks.

**Provisions**
1. Requires, beginning July 1, 2026, the State Treasurer to transfer the applicable income taxes collected from professional baseball athletes to the County Stadium District for deposit into the County Stadium District Fund. (Sec. 2)
2. Requires the State Treasurer, beginning October 1, 2025, to transfer the applicable transaction privilege tax (TPT) revenues to the County Stadium District for deposit into the County Stadium District Fund. (Sec. 6)
3. States the applicable TPT revenues will be derived from persons conducting business under the retail, amusement, restaurant and prime contracting classifications at, or with respect to events at the Major League Baseball facility that is owned or operated by the County Stadium District. (Sec. 6)
4. Requires, beginning October 1, 2025, Arizona Department of Revenue (DOR) to separately account for revenues collected under the retail classification from businesses selling tangible personal property on the premises of a Major League Baseball facility that is owned or operated by the County Stadium District. (Sec. 7)
5. Requires, beginning October 1, 2025, DOR to separately account for revenues collected under the amusement classification from the sales of admissions to a Major League Baseball facility that is owned or operated by the County Stadium District. (Sec. 8)
6. Requires, beginning October 1, 2025, DOR to separately account for revenues collected under the restaurant classification from businesses operating restaurants, dining rooms, lunchrooms, lunch stands, soda fountains, catering services or similar establishments on the premises of a Major League Baseball facility that is owned or operated by the County Stadium District. (Sec. 9)

☐ Prop 105 (45 votes) ☐ Prop 108 (40 votes) ☐ Emergency (40 votes) ☐ Fiscal Note



ATTACHMENT 7

7. Requires, beginning October 1, 2025, DOR to separately account for revenues collected under the prime contracting classification from any prime contractor engaged in the construction of any buildings and associated improvements that are for the benefit of a Major League Baseball facility that is owned or operated by the County Stadium District. (Sec. 10)
8. Requires, beginning October 1, 2025, a city or town to transmit the applicable TPT or similar taxes and fees to the County Stadium District for deposit into the County Stadium District Fund. (Sec. 12)
9. States the applicable city or town TPT or similar taxes and fees will be derived from persons selling tangible personal property at retail, operating as an amusement or similar specified activities, operating as a restaurant or similar specified establishment and prime contracting at, or with respect to events at the Major League Baseball facility that is owned or operated by the County Stadium District. (Sec. 12)
10. Requires, beginning January 1, 2026, DOR to separately account for these city or town collected revenues. (Sec. 12)
11. Requires, beginning October 1, 2025, a county to transmit the applicable county excise taxes collected to the County Stadium District for deposit into the County Stadium District Fund. (Sec. 13)
12. States the applicable county excise taxes collected will be derived from persons selling tangible personal property at retail, operating as an amusement or similar specified activities, operating as a restaurant or similar specified establishment and prime contracting at, or with respect to events at the Major League Baseball facility that is owned or operated by the County Stadium District. (Sec. 13)
13. Requires, beginning January 1, 2026, DOR to separately account for these county excise tax revenues. (Sec. 13)
14. Includes the income tax amount reported to DOR by a professional baseball franchise organization when determining net proceeds of the state income taxes for the year. (Sec. 14)
15. Requires a professional baseball franchise organization that is domiciled in AZ to provide DOR the federal taxpayer identification number for each resident and nonresident employee of the organization who provided services in this state for the organization. (Sec. 15)
16. Requires DOR, on or before March 31 of each year, to separately account for and report to the State Treasurer as an aggregate amount the total net income tax revenues collected on all income from an AZ professional baseball franchise organization and its resident and nonresident employees domiciled in AZ during the preceding year. (Sec. 15)
17. Defines *professional baseball franchise organization.* (Sec. 15)
18. Requires that the applicable state TPT, city, town and county excise taxes, and income taxes transmitted to the county stadium district fund be used only for reconstructing, equipping, repairing, maintaining or improving the Major League Baseball facility owned and operated by the County Stadium District. (Sec. 16)
19. Contains technical and conforming changes.

PROPOSED
HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2704
(Reference to printed bill)

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

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

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

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

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

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

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

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

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

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

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

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

Adopted ✓ # of Verbals _____
Failed _____ Withdrawn _____
Not Offered ____ Analysts Initials ___

ATTACHMENT 8

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

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

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

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

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

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

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

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

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

42-1116. Disposition of tax revenues

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

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

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

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

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

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

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

6. All remaining monies to the state general fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Persons who feed their own livestock or poultry.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Revenues collected pursuant to section 42-5070.

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Average the following proportions:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

42-5032.03. Distribution of revenue for county stadium district

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

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

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

42-5061. Retail classification; definitions

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

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

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

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

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

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

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

7. The sale of stocks and bonds.

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

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

10. Insulin, insulin syringes and glucose test strips.

11. Prescription eyeglasses or contact lenses.

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

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

14. Sales of motor vehicles to nonresidents of this state for use outside this state if either of the following applies:

(a) The motor vehicle dealer ships or delivers the motor vehicle to a destination out of this state.

(b) The vehicle, trailer or semitrailer has a gross vehicle weight rating of more than ten thousand pounds, is used or maintained to transport property in the furtherance of interstate commerce and otherwise meets the definition of commercial motor vehicle as defined in section 28-5201.

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

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

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

18. Food and drink to a person that is engaged in a business that is classified under the restaurant classification and that provides such

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

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

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

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

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

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

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

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

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

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

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

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

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

25. Tangible personal property sold to:

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

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

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

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

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

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

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

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

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

27. Tangible personal property sold to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

42. Sales of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) A person:

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

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

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

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

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

(b) Any foreign government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Janitorial equipment and hand tools.

3. Office equipment, furniture and supplies.

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

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

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

7. Motors and pumps used in drip irrigation systems.

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

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

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

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

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

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

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

2. Businesses classified under the:

(a) Transporting classification.

(b) Utilities classification.

(c) Telecommunications classification.

(d) Pipeline classification.

(e) Private car line classification.

(f) Publication classification.
(g) Job printing classification.
(h) Prime contracting classification.
(i) Restaurant classification.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. "Aircraft" includes:

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

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

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

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

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

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

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

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

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

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

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

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

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

42-5073. Amusement classification

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

42-5074. Restaurant classification

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

42-5075. Prime contracting classification; exemptions; definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) The deduction provided in this paragraph does not include gross proceeds of sales or gross income from the portion of any contracting activity that consists of the development of, or modification to, real property in order to facilitate the installation, assembly, repair, maintenance or removal of machinery, equipment or other tangible personal property that is either deducted from the tax base of the retail classification under section 42-5061, subsection B or exempt from use tax under section 42-5159, subsection B.

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

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

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

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

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

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

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

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

(b) Section 42-5061, subsection B.

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

(d) Section 42-5159, subsection B.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(i) Master schedule updates.

(ii) Modification work cash flow projection updates.

(iii) Site reports made on a periodic basis.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(vi) Any bond and insurance premiums.

(vii) Any applicable taxes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

42-5159. Exemptions

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

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

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

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

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

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

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

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

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

8. Purchases of:

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

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

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

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

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

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

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

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

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

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

13. Tangible personal property purchased by:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15. Tangible personal property sold by:

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

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

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

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

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

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

18. Prescription eyeglasses and contact lenses.

19. Insulin, insulin syringes and glucose test strips.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Public educational institutions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) Prepaid calling cards for telecommunications services.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) A person:

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

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

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

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

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

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

(b) Any foreign government.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Janitorial equipment and hand tools.

3. Office equipment, furniture and supplies.

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

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

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

7. Motors and pumps used in drip irrigation systems.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. "Aircraft" includes:

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

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

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

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

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

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

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

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

1. SELLING TANGIBLE PERSONAL PROPERTY AT RETAIL.

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

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

4. PRIME CONTRACTING.

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

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

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

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

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

1. SELLING TANGIBLE PERSONAL PROPERTY AT RETAIL.

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

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

4. PRIME CONTRACTING.

C. FOR THE PURPOSES OF THIS SECTION, FROM AND AFTER DECEMBER 30, 2025, THE DEPARTMENT SHALL SEPARATELY ACCOUNT FOR REVENUES COLLECTED PURSUANT TO SECTIONS 42-6105.01 AND 42-6109.01 FROM THE BUSINESSES PRESCRIBED IN SUBSECTION B OF THIS SECTION ON THE PREMISES OF A MAJOR LEAGUE BASEBALL FACILITY OWNED OR OPERATED BY A COUNTY STADIUM DISTRICT PURSUANT TO TITLE 48, CHAPTER 26.

Sec. 14. Section 43-206, Arizona Revised Statutes, is amended to read:

43-206. Urban revenue sharing fund; allocation; distribution; withholding

A. The urban revenue sharing fund is established. Through fiscal year 2022-2023, the fund consists of an amount equal to fifteen percent of the net proceeds of the state income taxes for the fiscal year two years preceding the current fiscal year. Beginning in fiscal year 2023-2024, the fund consists of an amount equal to eighteen percent of the net proceeds of the state income taxes for the fiscal year two years preceding the current fiscal year. The fund shall be distributed to incorporated cities and towns as provided in this section, except that a city or town shall receive at least an amount equal to what a city or town with a population of fifteen hundred or more persons would receive. The transfer of net proceeds prescribed by section 49-282, subsection B does not affect the calculation of net proceeds prescribed by this subsection.

B. Each city or town shall share in the urban revenue sharing fund in the proportion that the population of each bears to the population of all. Except as provided by sections 42-5033 and 42-5033.01, the population of a city or town as determined by the most recent United States decennial census plus any revisions to the decennial census certified by the United States CENSUS bureau ~~of the census~~ shall be used as the basis for apportioning monies pursuant to this subsection.

C. The treasurer, on instruction from the department, shall transmit, not later than the tenth day of each month, to each city or town an amount equal to one-twelfth of that city's or town's total entitlement for the current fiscal year from the urban revenue sharing fund as determined by the department.

D. A newly incorporated city or town shall share in the urban revenue sharing fund beginning the first month of the first full fiscal year following incorporation.

E. On receipt of a certificate of default from the greater Arizona development authority pursuant to section 41-2257 or 41-2258, the state treasurer, to the extent not otherwise expressly prohibited by law, shall withhold from the next succeeding distribution of monies pursuant to this section due to the city or town the amount specified in the certificate of

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

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

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

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

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

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

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

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

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

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

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

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

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

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

~~D.~~ E. For THE purposes of this section: ~~,~~

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

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

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

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

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

1. Adopt and use a corporate seal.

2. Sue and be sued.

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Presentations to community, civic and business organizations.

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

D. The board of directors shall:

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

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

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

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

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

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

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

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

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

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

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

48-4231. County stadium district fund

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

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

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

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

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

~~4.~~ 5. Interest and other income received from investing monies in the fund.

~~5.~~ 6. Gifts, grants and donations received for that purpose from any public or private source.

B. EXCEPT AS PROVIDED IN SUBSECTION E OF THIS SECTION, monies in the fund may be used for any lawful purpose of the district.

C. The district treasurer may invest any unexpended monies in the fund as provided in title 35, chapter 2. Notwithstanding section 35-323, the district treasurer may invest and reinvest monies in the fund, other than operating fund monies, in eligible investments with a maturity of greater than five years. Interest and other income from investments shall be credited to the fund. The district treasurer shall invest the monies so as to mature at the times when the fund assets will be required for the purposes of this article. If the liquid assets in the fund become insufficient to meet the district's obligations, the board of directors shall direct the district treasurer to liquidate sufficient securities to meet all of the current obligations and immediately notify the auditor general of the insufficiency, and the auditor general shall investigate and audit the circumstances surrounding the depletion of the fund and report the auditor general's findings to the board.

D. Except as provided by section 48-4231.01, the board of directors shall cause an annual audit to be conducted of the fund by an independent certified public accountant within one hundred twenty days after the end of the fiscal year. The board shall immediately file a certified copy of the audit with the auditor general. The auditor general may make such further audits and examinations as the auditor general deems necessary, but if the auditor general takes no official action within thirty days after the audit is filed, the audit is deemed sufficient. The board of directors shall pay all fees and costs of the certified public accountant and auditor general under this subsection from the fund.

E. MONIES TRANSMITTED PURSUANT TO SECTION 42-1116, SUBSECTION D AND SECTIONS 42-5032.03, 42-6018 AND 42-6113 SHALL BE USED FOR RECONSTRUCTING, EQUIPPING, REPAIRING, MAINTAINING OR IMPROVING THE MAJOR LEAGUE BASEBALL FACILITY OWNED AND OPERATED BY THE DISTRICT. [ANY INDIVIDUAL, INCLUDING AN EMPLOYEE OF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION, IS SUBJECT TO TITLE 38, CHAPTER 3, ARTICLE 8 RELATING TO CONFLICTS OF INTEREST FOR THE PURPOSES OF SPENDING THE MONIES TRANSMITTED PURSUANT TO SECTION 42-1116, SUBSECTION D AND SECTIONS 42-5032.03, 42-6018 AND 42-6113.]

<<Sec. 18. Title 48, chapter 26, article 2, Arizona Revised Statutes, is amended by adding section 48-4238, to read:

48-4238. Notice; penalty; transaction privilege tax return

[IF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES THE MAJOR LEAGUE BASEBALL FACILITY OWNED AND OPERATED BY THE DISTRICT LEAVES THIS STATE, THE DISTRICT TREASURER SHALL:

1. NOTIFY THE STATE TREASURER AND THE DEPARTMENT OF REVENUE THAT THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION THAT OCCUPIES THE MAJOR LEAGUE BASEBALL FACILITY OWNED AND OPERATED BY THE DISTRICT LEFT THIS STATE. ON RECEIVING THE NOTICE:

(a) THE STATE TREASURER MAY NOT CONTINUE TO TRANSMIT MONIES PURSUANT TO SECTION 42-1116, SUBSECTION D AND SECTIONS 42-5032.03, 42-6018 AND 42-6133.

(b) THE STATE TREASURER SHALL ASSESS A PENALTY AGAINST THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION AND DEPOSIT, PURSUANT TO SECTIONS 35-146 AND 35-147, IN THE STATE GENERAL FUND THE PENALTY IN THE FOLLOWING AMOUNTS:

(i) $10,000,000 IF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION LEAVES THIS STATE ON OR BEFORE OCTOBER 1, 2035.

(ii) $5,000,000 IF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION LEAVES THIS STATE ON OR BEFORE OCTOBER 1, 2045.

(iii) $1,000,000 IF THE PROFESSIONAL BASEBALL FRANCHISE ORGANIZATION LEAVES THIS STATE ON OR BEFORE OCTOBER 1, 2050.

(c) THE DEPARTMENT OF REVENUE MAY STOP SEPARATELY ACCOUNTING FOR THE REVENUES THAT WERE SUBJECT TO TRANSMISSION.

2. RETURN ANY REMAINING MONIES TRANSMITTED PURSUANT TO SECTION 42-1116, SUBSECTION D AND SECTIONS 42-5032.03, 42-6018 AND 42-6113 THAT ARE UNEXPENDED AND UNENCUMBERED TO THE TAXING JURISDICTION FROM WHICH THE MONIES WERE GENERATED.]

Enroll and engross to conform
Amend title to conform

JEFF WENINGER

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# ARIZONA HOUSE OF REPRESENTATIVES
## Fifty-seventh Legislature - First Regular Session

## ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. HB 2704

DATE February 04, 2025 MOTION: DPA

| | PASS | AYE | NAY | PRESENT | ABSENT |
|---|---|---|---|---|---|
| Aguilar | | ✓ | | | |
| Blackman | | ✓ | | | |
| Cavero | | ✓ | | | |
| Connolly | | ✓ | | | |
| Diaz | | ✓ | | | |
| Hendrix | | | ✓ | | |
| Villegas | | | | ✓ | |
| Wilmeth | | ✓ | | | |
| Way, Vice-Chairman | | ✓ | | | |
| Weninger, Chairman | | ✓ | | | |
| | | 8 | 1 | 1 | 0 |

Abby Selvey
COMMITTEE SECRETARY

APPROVED:

JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 9

# ARIZONA HOUSE OF REPRESENTATIVES

Fifty-seventh Legislature
First Regular Session

**HB 2659: transfer to minors; age increase**
**Sponsor: Representative Carter N, LD 15**
**Committee on Commerce**

**Overview**
Increases the minor's age required for the transference of certain custodial property.

**History**
The Uniform Transfers to Minors Act (UTMA) allows donors to transfer property, like money or securities, to a custodian to manage for the benefit of a minor until they reach the legal age without the need to set up a formal trust or have a conservator established through a formal judicial conservatorship process.

Currently, under the provisions of the UTMA act, a minor may receive property at different ages. For property given to the minor through a gift, the exercise of the power of appointment, a last will and testament or a revocable trust, the minor must be 21 years of age to receive the property. For property given to a minor through a transfer to a separate fiduciary or property that is held by an individual who owes a liquidated debt to a minor may be transferred by the custodian to the minor at 18 years of age (Title 41, Chapter 7, A.R.S.).

**Provisions**
1. Requires a minor be 25 years of age, rather than 21, to receive property given to the minor through a gift, the exercise of power of appointment, a last will and testament or a revocable trust. (Sec. 1)

☐ Prop 105 (45 votes) ☐ Prop 108 (40 votes) ☐ Emergency (40 votes) ☐ Fiscal Note



ATTACHMENT 10

# ARIZONA HOUSE OF REPRESENTATIVES
## Fifty-seventh Legislature - First Regular Session

## ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. HB 2659

DATE February 04, 2025 MOTION: DP

| | PASS | AYE | NAY | PRESENT | ABSENT |
|---|---|---|---|---|---|
| Aguilar | | ✓ | | | |
| Blackman | | ✓ | | | |
| Cavero | | ✓ | | | |
| Connolly | | ✓ | | | |
| Diaz | | ✓ | | | |
| Hendrix | | ✓ | | | |
| Villegas | | ✓ | | | |
| Wilmeth | | ✓ | | | |
| Way, Vice-Chairman | | ✓ | | | |
| Weninger, Chairman | | ✓ | | | |
| | | 10 | 0 | 0 | 0 |

Abby Selvey
COMMITTEE SECRETARY

APPROVED:

JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 11

# ARIZONA HOUSE OF REPRESENTATIVES

Fifty-seventh Legislature
First Regular Session

**HB 2047: judicial appraisal; costs; attorney fees**
**Sponsor: Representative Kolodin, LD 3**
**Committee on Commerce**

**Overview**
Designates the applicable court costs that are assessed against a corporation in an appraisal proceeding.

**History**
A dissenter is a shareholder of a domestic corporation who is entitled to dissent from and obtain payment of the fair value of the shareholder's shares in the event of certain corporate actions such as a merger, acquisition or sale.

A shareholder who wishes to assert dissenters' rights must deliver to the corporation written notice of the shareholder's intent to demand payment for the shareholder's shares if the proposed action is effectuated and must not vote the shares in favor of the corporation's proposed action. When a shareholder sends a dissenters' notice, they must demand payment, certify whether the shareholder acquired beneficial ownership of the shares before the date required to be set forth in the dissenters' notice and deposit the shareholder's certificates. A dissenter may notify the corporation in writing of the dissenter's own estimate of the fair value of the dissenter's shares and amount of interest due and either demand payment of the dissenter's estimate or reject the corporation's offer and demand payment of the fair value of the dissenter's shares and interest due.

If a demand for payment remains unsettled, the corporation must commence a proceeding within 60 days after receiving the payment demand and petition the court to determine the fair value of the shares and accrued interest. If the corporation does not commence the proceeding within the 60-day period, it must pay each dissenter whose demand remains unsettled the amount demanded.

The court, then, in an appraisal proceeding determines all costs of the proceeding. The court must assess the court costs and attorney fees and expenses against the corporation and, to an extent, the dissenters (Title 10, Chapter 13, A.R.S.).

**Provisions**
1. Specifies, in an appraisal proceeding, the court costs and the attorney fees and expenses that are assessed against the corporation apply to the corporation, the surviving corporation or a resulting corporation from a sale, merger or acquisition. (Sec. 1)

☐ Prop 105 (45 votes) ☐ Prop 108 (40 votes) ☐ Emergency (40 votes) ☐ Fiscal Note



ATTACHMENT 12

# ARIZONA HOUSE OF REPRESENTATIVES
## Fifty-seventh Legislature - First Regular Session

## ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. HB 2047

DATE February 04, 2025 MOTION: DP

| | PASS | AYE | NAY | PRESENT | ABSENT |
|---|---|---|---|---|---|
| Aguilar | | ✓ | | | |
| Blackman | | ✓ | | | |
| Cavero | | ✓ | | | |
| Connolly | | ✓ | | | |
| Diaz | | ✓ | | | |
| Hendrix | | ✓ | | | |
| Villegas | | ✓ | | | |
| Wilmeth | | ✓ | | | |
| Way, Vice-Chairman | | ✓ | | | |
| Weninger, Chairman | | ✓ | | | |
| | | 10 | 0 | 0 | 0 |

Abby Salvey
COMMITTEE SECRETARY

APPROVED:

JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 13

# ARIZONA HOUSE OF REPRESENTATIVES

Fifty-seventh Legislature
First Regular Session

**HB 2048: sales of securities; definition**
**Sponsor: Representative Kolodin, LD 3**
**Committee on Commerce**

## Overview

Modifies the definition of *offer to sell* or *offer for sale* in the context of the sale of securities.

## History

The Arizona Corporation Commission (ACC) regulates securities in Arizona through the registration of securities being offered or sold and the registration of dealers who sell, purchase or offer to sell or buy securities in Arizona. The sale of a federal covered security that complies with ACC filing requirements is exempt from the requirement to register securities. Statute also outlines exemptions to dealer registration and ACC filing requirements (Title 44, Chapter 12, A.R.S.).

A *security*, in general, is any tradeable interest or instrument such as a note, stock, treasury stock, bond, commodity investment contract, commodity option, debenture or evidence of indebtedness. A security must be registered with the ACC, unless it is a covered federal security, and may only be sold by a dealer or salesmen who is registered with the ACC before an offer to sell a security may be made (A.R.S. §§ 44-1814, 44-1842).

Statute defines *offer to sell* as an attempt or offer to dispose of, or solicitation of an order or offer to buy, a security or interest in a security for value or any sale or offer for sale of a warrant or right to subscribe to another security of the same issuer or of another issuer. Any sale or offer for sale of a security that gives the holder thereof a present or future right or privilege to convert such security into another security of the same issuer or of another issuer shall be deemed an offer to sell the security to be acquired pursuant to such right or privilege, but the existence thereof shall not be construed as affecting the registration or exemption under this chapter of the security to which it attaches (A.R.S. § 44-1801).

## Provisions

1. Includes, to the definition of *offer to sell* or *offer for sale*, an offer, including an offer to sell or offer for sale, occurs only where acceptance of the offer and payment of consideration would complete the sale. (Sec. 1)

☐ Prop 105 (45 votes) ☐ Prop 108 (40 votes) ☐ Emergency (40 votes) ☐ Fiscal Note



ATTACHMENT 14

# ARIZONA HOUSE OF REPRESENTATIVES
## Fifty-seventh Legislature - First Regular Session

## ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. HB 2048

DATE February 04, 2025 MOTION: DP

| | PASS | AYE | NAY | PRESENT | ABSENT |
|---|---|---|---|---|---|
| Aguilar | | ✓ | | | |
| Blackman | | ✓ | | | |
| Cavero | | ✓ | | | |
| Connolly | | ✓ | | | |
| Diaz | | ✓ | | | |
| Hendrix | | ✓ | | | |
| Villegas | | ✓ | | | |
| Wilmeth | | ✓ | | | |
| Way, Vice-Chairman | | ✓ | | | |
| Weninger, Chairman | | ✓ | | | |
| | | 10 | 0 | 0 | 0 |

Abby Selvey
COMMITTEE SECRETARY

APPROVED:

Jeff Weninger
JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 15

# ARIZONA HOUSE OF REPRESENTATIVES

Fifty-seventh Legislature
First Regular Session

**HB 2450: unemployment insurance; benefit amounts**
**Sponsor: Representative Carbone, LD 25**
**Committee on Commerce**

**Overview**
Changes the duration of unemployment insurance (UI) benefits for which an individual may receive during a benefit year.

**History**
The Department of Economic Security administers the UI Benefit Program which provides unemployment benefits to individuals who are unemployed through no fault of their own.

Individuals awarded unemployment insurance benefits are entitled to receive a weekly benefit in an amount equal to 4% of the total wages for insured work paid in the highest quarter of their base period. The base period is the first four of the last five completed calendar quarters immediately preceding the first day of their benefit year. The weekly benefit amount is statutorily capped at $320 (A.R.S. § 23-779).

The duration of benefits is based on the unemployment rate in the prior calendar quarter, which is the average of the seasonally adjusted unemployment rates for the three months of the most recently published calendar year quarter as published by the Office of Economic Opportunity. If the prior calendar quarter unemployment rate is less than 5% the duration of benefits is 24 weeks. If the prior calendar quarter unemployment rate is 5% or more the duration of benefits is 26 weeks (A.R.S. § 23-780).

According to the Office of Economic Opportunity, Arizona's unemployment rate (November 2024 – seasonally adjusted) is 3.7%.

**Provisions**
1. Modifies the duration schedule for which an eligible individual receives UI benefits based on incremental changes in the unemployment rate (UR) in the prior calendar quarter:
   a) 12 weeks, if the UR is 5% or less;
   b) 14 weeks, if the UR is more than 5% but not more than 5.5%;
   c) 16 weeks, if the UR is more than 5.5% but not more than 6%;
   d) 18 weeks, if the UR is more than 6% but not more than 6.5%;
   e) 20 weeks, if the UR is more than 6.5% but not more than 7%;
   f) 22 weeks, if the UR is more than 7% but not more than 7.5%;
   g) 24 weeks, if the UR is more than 7.5% but not more than 8%;
   h) 26 weeks, if the UR is more than 8%. (Sec 1)

☐ Prop 105 (45 votes) ☐ Prop 108 (40 votes) ☐ Emergency (40 votes) ☐ Fiscal Note


ATTACHMENT 16

# ARIZONA HOUSE OF REPRESENTATIVES
## Fifty-seventh Legislature - First Regular Session

## ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. HB 2450

DATE February 04, 2025 MOTION: DP

| | PASS | AYE | NAY | PRESENT | ABSENT |
|---|---|---|---|---|---|
| Aguilar | | | ✓ | | |
| Blackman | ✓ | ✓ | | | |
| Cavero | | | | ✓ | |
| Connolly | | | ✓ | | |
| Diaz | | ✓ | | | |
| Hendrix | | ✓ | | | |
| Villegas | | | ✓ | | |
| Wilmeth | | ✓ | | | |
| Way, Vice-Chairman | | ✓ | | | |
| Weninger, Chairman | | ✓ | | | |
| | | 6 | 3 | 1 | 0 |

Abby Selvey
COMMITTEE SECRETARY

APPROVED:

Jeff Weninger
JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 17

# ARIZONA HOUSE OF REPRESENTATIVES

Fifty-seventh Legislature
First Regular Session

**HB 2629: merchant; fees; calculation; transactions; penalty**
**Sponsor: Representative Weninger, LD 13**
**Committee on Commerce**

## Overview

Provides prohibitions relating to interchange fees.

## History

Federal law requires the amount of any interchange transaction fee that an issuer may receive or charge with respect to an electronic debit transaction to be reasonable and proportional to the cost incurred by the issuer with respect to the electronic debit transaction. Each interchange transaction fee received or charged by the issuer cannot be greater than the sum of 21 cents and 5 basis points multiplied by the value of the transaction.

An interchange transaction fee is any fee established, charged or received by a payment card network and paid by a merchant or an acquirer for the purpose of compensating an issuer for its involvement in an electronic debit transaction.

## Provisions

1. Prevents certain entities from receiving or charging an interchange fee on the tax amount of an electronic payment transaction provided the merchant informs the acquirer bank of the tax amount as part of the authorization for the electronic payment transaction. (Sec. 1)
2. Requires a merchant to transmit the tax to avoid being charged an interchange fee. (Sec. 1)
3. Instructs a merchant who has not transmitted the tax to submit tax documentation for the electronic payment transaction to the acquirer bank within 180 days after the transaction. (Sec. 1)
4. Requires the acquirer bank to credit the amount of the interchange fee to the merchant within 30 days after the submission of the tax documentation. (Sec. 1)
5. Specifies a payment card network is not liable for the accuracy of any tax data reported by a merchant. (Sec. 1)
6. Prohibits certain entities from manipulating the calculation or increasing the rate or amount of fees charged to a credit card or debit card transaction that are not attributable to the taxes or other fees charged to the retailer to impose an interchange fee. (Sec. 1)
7. Subjects entities that violate interchange fee provisions to a $1,000 civil penalty for each transaction and to refund the interchange fee. (Sec. 1)
8. Defines pertinent terms. (Sec. 1)

☐ Prop 105 (45 votes) ☐ Prop 108 (40 votes) ☐ Emergency (40 votes) ☐ Fiscal Note



ATTACHMENT 18

# ARIZONA HOUSE OF REPRESENTATIVES
## Fifty-seventh Legislature - First Regular Session

## ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. HB 2629

DATE February 04, 2025 MOTION: DP

| | PASS | AYE | NAY | PRESENT | ABSENT |
|---|---|---|---|---|---|
| Aguilar | | | ✓ | | |
| Blackman | | ✓ | | | |
| Cavero | | | ✓ | | |
| Connolly | | ✓ | | | |
| Diaz | ✓ | ✓ | | | |
| Hendrix | ✓ | | ✓ | | |
| Villegas | | ✓ | | | |
| Wilmeth | | ✓ | | | |
| Way, Vice-Chairman | | ✓ | | | |
| Weninger, Chairman | | ✓ | | | |
| | | 7 | 3 | 0 | 0 |

Abby Salvey
COMMITTEE SECRETARY

APPROVED:
Jeff Weninger
JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 19

# ARIZONA HOUSE OF REPRESENTATIVES

Fifty-seventh Legislature
First Regular Session

## HB 2381: wage claims; employment practices
## Sponsor: Representative Hernandez A, LD 20
## Committee on Commerce

**Overview**

Increases the monetary cap for filing an unpaid wage claim with the Industrial Commission of Arizona (ICA).

**History**

Title 23, Chapter 2, A.R.S., governs employment practices and working conditions, including requirements for payment of wages, minimum wages and employee benefits. Arizona employers must pay all wages due to employees on each of the regular paydays. Each employer must designate two or more days in each month, not more than sixteen days apart, as fixed paydays for payment of wages to their employees (A.R.S. § 23-351).

If an employer fails to pay the wages due to the employee, the employee may recover in a civil action against an employer an amount that is treble the amount of the unpaid wages. Alternatively, an employee may file a written claim with the ICA for unpaid wages against an employer if the amount of such wages does not exceed $5,000 and if such claim is filed within one year of the accrual of such claim. The ICA, on behalf of an employee, may obtain judgment and execution, garnishment, attachment or other available remedies for collection of unpaid wages established by the department's final determination. (A.R.S. §§ 23-355, 23-356).

**Provisions**

1. Increases the threshold of unpaid wages for which an employee may file a claim with the ICA for such wages from $5,000 to $15,000. (Sec. 1)

☐ Prop 105 (45 votes) ☐ Prop 108 (40 votes) ☐ Emergency (40 votes) ☐ Fiscal Note



ATTACHMENT 20

Fifty-seventh Legislature
First Regular Session

Commerce
H.B. 2381

PROPOSED
HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2381
(Reference to printed bill)

Amendment instruction key:
[GREEN UNDERLINING IN BRACKETS] indicates text added to statute or previously enacted session law.
[Green underlining in brackets] indicates text added to new session law or text restoring existing law.
[~~GREEN STRIKEOUT IN BRACKETS~~] indicates new text removed from statute or previously enacted session law.
[~~Green strikeout in brackets~~] indicates text removed from existing statute, previously enacted session law or new session law.
<<Green carets>> indicate a section added to the bill.
<<~~Green strikeout in carets~~>> indicates a section removed from the bill.

The bill as proposed to be amended is reprinted as follows:

Section 1. Section 23-356, Arizona Revised Statutes, is amended to read:

23-356. Wage claims

A. Instead of proceeding under section 23-355, an employee may file a written claim with the department for unpaid wages against an employer if the amount of such wages does not exceed ~~five thousand dollars~~ [~~$15,000~~] [$12,000] and if such claim is filed within one year of the accrual of such claim.

B. The department may, on behalf of an employee, or the employee may obtain judgment and execution, garnishment, attachment or other available remedies for collection of unpaid wages established by final determination by the department.

C. The department may receive payment on wage claims on behalf of employees. The department may deposit, pursuant to sections 35-146 and 35-147, monies it receives as payment on wage claims in a special state fund for disbursement to wage claimants on proper authorization by the department.

Enroll and engross to conform
Amend title to conform

JEFF WENINGER

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01/29/2025
10:28 AM
H: PB/ls

Adopted ✓ # of Verbals _____
Failed _____ Withdrawn _____
Not Offered ____ Analysts Initials ___

ATTACHMENT 21

# ARIZONA HOUSE OF REPRESENTATIVES
## Fifty-seventh Legislature - First Regular Session

## ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. HB 2381

DATE February 04, 2025 MOTION: DPA

| | PASS | AYE | NAY | PRESENT | ABSENT |
|---|---|---|---|---|---|
| Aguilar | | ✓ | | | |
| Blackman | | ✓ | | | |
| Cavero | | ✓ | | | |
| Connolly | | ✓ | | | |
| Diaz | | ✓ | | | |
| Hendrix | | ✓ | | | |
| Villegas | | ✓ | | | |
| Wilmeth | | ✓ | | | |
| Way, Vice-Chairman | | ✓ | | | |
| Weninger, Chairman | | ✓ | | | |
| | | 10 | 0 | 0 | 0 |

Abby Selvey
COMMITTEE SECRETARY

APPROVED:

Jeff Weninger
JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 22

# ARIZONA HOUSE OF REPRESENTATIVES

Fifty-seventh Legislature
First Regular Session

**HB 2068: landlord tenant; assistance animals**
**Sponsor: Representative Kupper, LD 25**
**Committee on Commerce**

## Overview

Provides for allowing a tenant to request for an accommodation relating to an assistance animal.

## History

The Fair Housing Act makes it unlawful to refuse to make reasonable accommodations to rules, policies, practices, or services when such accommodations may be necessary to afford persons with disabilities an equal opportunity to use and enjoy a dwelling and public and common use areas. A *reasonable accommodation* is a change, exception, or adjustment to a rule, policy, practice, or service that may be necessary for a person with disabilities to have an equal opportunity to use and enjoy a dwelling.

Any person or entity that operates a public place is prohibited from discriminating against individuals with disabilities who use service animals if the work or tasks performed by the service animal are directly related to the individual's disability. A *service animal* is any dog or miniature horse that is individually trained or in training to do work or perform tasks for the benefit of an individual with a disability, including a physical, sensory, psychiatric, intellectual or other mental disability. Service animal does not include other species of animals, whether wild or domestic or trained or untrained (A.R.S. 11-1024).

The Arizona Attorney General (AG) provides civil rights guidance relating to service, support and assistance animals. The AG defines *support animal* as an animal, trained or untrained, that does work, performs tasks, provides assistance, and/or provides therapeutic emotional support for individuals with disabilities. Support animals can be any other animals commonly kept in households. The AG considers *assistance animals* as both service animals and support animals as the term only applies in housing.

## Provisions

1. Allows a landlord, if a tenant requests an accommodation for an assistance animal, to:
   a) acquire reliable documentation of the disability and the disability-related need for an assistance animal, only if the disability and related need is unknown or unapparent;
   b) request that the person submit certain information on a standardized form;
   c) require prescribed documentation for each additional assistance animal; and
   d) deny or rescind an accommodation to the assistance animal for specified reasons. (Sec. 1)

☐ Prop 105 (45 votes) ☐ Prop 108 (40 votes) ☐ Emergency (40 votes) ☐ Fiscal Note



ATTACHMENT 23

2. Requires a person requesting an accommodation to submit reliable documentation establishing that the person has a disability requiring the use of an assistance animal as a reasonable accommodation. (Sec. 1)
3. Specifies the reliable documentation to be in writing and describe the disability-related need for the assistance animal. (Sec. 1)
4. Exempts a landlord from liability of injuries caused by an assistance animal that is allowed as a reasonable accommodation on or within the landlord's property. (Sec. 1)
5. Defines *assistance animal, disability* and *reasonable accommodation.* (Sec. 1)

# ARIZONA HOUSE OF REPRESENTATIVES
## Fifty-seventh Legislature - First Regular Session

## ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. HB 2068

DATE February 04, 2025 MOTION: DP

| | PASS | AYE | NAY | PRESENT | ABSENT |
|---|---|---|---|---|---|
| Aguilar | | | | ✓ | |
| Blackman | | ✓ | | | |
| Cavero | | | ✓ | | |
| Connolly | | ✓ | | | |
| Diaz | | ✓ | | | |
| Hendrix | | ✓ | | | |
| Villegas | | | ✓ | | |
| Wilmeth | | ✓ | | | |
| Way, Vice-Chairman | | ✓ | | | |
| Weninger, Chairman | | ✓ | | | |
| | | 7 | 2 | 1 | 0 |

Abby Selvey
COMMITTEE SECRETARY

APPROVED:

JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 24

# ARIZONA HOUSE OF REPRESENTATIVES

Fifty-seventh Legislature
First Regular Session

## HB 2175: claims; prior authorization; conduct
## Sponsor: Representative Willoughby, LD 13
## Committee on Commerce

**Overview**
Requires a health care provider to review each claim for health care services before denial or prior authorization.

**History**
A health care services plan or its utilization review agent may impose a prior authorization requirement for health care services provided to an enrollee. A prior authorization requirement is a practice implemented by a health care services plan or its utilization review agent in which coverage of a health care service is dependent on an enrollee or a provider obtaining approval from the health care services plan before the service is performed, received or prescribed, as applicable. If the prior authorization request is denied, the health care services plan or its utilization review agent shall state the specific reason for the denial. On a denial of a prior authorization request, the enrollee and the provider may exercise the review and appeal rights granted under the health care appeals process (A.R.S. §§ 20-3402, 20-3404).

A member who receives an adverse determination may pursue the applicable review process as prescribed in statute. A health care insurer must provide at least the following levels of review: 1) an expedited medical review and expedited appeal; 2) an initial appeal; and 3) an external independent review (A.R.S. § 20-2533).

**Provisions**
1. Requires a health care provider to individually review each claim for health care services before a health care insurer denies a claim or a prior authorization unless:
   a) the denial is due to a lack of administrative completeness;
   b) the member enrollment status is excluded from coverage under the plan; or
   c) a determination is made that a service or provider type is categorically excluded from coverage under the plan. (Sec. 1)
2. Prohibits the use of artificial intelligence to deny a claim or prior authorization. (Sec. 1)
3. Classifies the denial of a claim or a prior authorization without an individual review of the claim as an act of unprofessional conduct. (Sec. 1)
4. Outlines the health care professionals that are defined as a *health care provider*. (Sec. 1)

| ☐ Prop 105 (45 votes) | ☐ Prop 108 (40 votes) | ☐ Emergency (40 votes) | ☐ Fiscal Note |
|---|---|---|---|



ATTACHMENT 25

PROPOSED
HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2175
(Reference to printed bill)

Amendment instruction key:
[GREEN UNDERLINING IN BRACKETS] indicates text added to statute or previously enacted session law.
[Green underlining in brackets] indicates text added to new session law or text restoring existing law.
[~~GREEN STRIKEOUT IN BRACKETS~~] indicates new text removed from statute or previously enacted session law.
[~~Green strikeout in brackets~~] indicates text removed from existing statute, previously enacted session law or new session law.
<<Green carets>> indicate a section added to the bill.
<<~~Green strikeout in carets~~>> indicates a section removed from the bill.

The bill as proposed to be amended is reprinted as follows:

Section 1. Title 20, chapter 20, article 1, Arizona Revised Statutes, is amended by adding section 20-3103, to read:

20-3103. Denial of claims or prior authorization; health care provider review; unprofessional conduct; definition

A. [~~EXCEPT FOR DENIALS FOR LACK OF ADMINISTRATIVE COMPLETENESS, MEMBER ENROLLMENT STATUS OR A DETERMINATION THAT A SERVICE OR PROVIDER TYPE IS CATEGORICALLY EXCLUDED FROM COVERAGE UNDER THE PLAN,~~] A HEALTH CARE PROVIDER SHALL INDIVIDUALLY REVIEW EACH CLAIM FOR HEALTH CARE SERVICES BEFORE A HEALTH CARE INSURER DENIES A CLAIM OR A PRIOR AUTHORIZATION.

[B.] ARTIFICIAL INTELLIGENCE MAY NOT BE USED TO DENY A CLAIM OR A PRIOR AUTHORIZATION[FOR MEDICAL NECESSITY, EXPERIMENTAL STATUS OR ANY OTHER REASON THAT INVOLVES THE USE OF MEDICAL JUDGMENT].

[~~B.~~] [C.] A HEALTH CARE PROVIDER THAT DENIES A CLAIM OR A PRIOR AUTHORIZATION WITHOUT AN INDIVIDUAL REVIEW OF THE CLAIM OR PRIOR AUTHORIZATION COMMITS AN ACT OF UNPROFESSIONAL CONDUCT.

[~~C.~~] [D.] FOR THE PURPOSES OF THIS SECTION, "HEALTH CARE PROVIDER" MEANS A PERSON WHO IS CERTIFIED OR LICENSED PURSUANT TO TITLE 32, CHAPTER 7, 8, 11, 13, 14, 15, 15.1, 16, 17, 18, 19, 19.1, 21, 25, 28, 29, 33, 34, 35, 39, 41 OR 42, TITLE 36, CHAPTER 4, ARTICLE 6, TITLE 36, CHAPTER 6, ARTICLE 7 OR TITLE 36, CHAPTER 17.

Enroll and engross to conform
Amend title to conform

JEFF WENINGER

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~~05:21 PM~~
~~C: SK~~

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02/03/2025
04:26 PM
H: PB/ls

Adopted ✓ # of Verbals _____
Failed _____ Withdrawn _____
Not Offered ____ Analysts Initials ___

ATTACHMENT 26

# ARIZONA HOUSE OF REPRESENTATIVES
## Fifty-seventh Legislature - First Regular Session

## ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. HB 2175

DATE February 04, 2025 MOTION: DPA

| | PASS | AYE | NAY | PRESENT | ABSENT |
|---|---|---|---|---|---|
| Aguilar | | ✓ | | | |
| Blackman | | ✓ | | | |
| Cavero | | ✓ | | | |
| Connolly | | ✓ | | | |
| Diaz | | ✓ | | | |
| Hendrix | | ✓ | | | |
| Villegas | | ✓ | | | |
| Wilmeth | | ✓ | | | |
| Way, Vice-Chairman | | ✓ | | | |
| Weninger, Chairman | | ✓ | | | |
| | | 10 | 0 | 0 | 0 |

Abby Selvey
COMMITTEE SECRETARY

APPROVED:

JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 27

# ARIZONA HOUSE OF REPRESENTATIVES

Fifty-seventh Legislature
First Regular Session

**HB 2110: development; adaptive reuse; rezoning; prohibition**
**Sponsor: Representative Biasiucci, LD 30**
**Committee on Commerce**

## Overview

An emergency measure that makes various revisions to statute relating to multifamily residential development and adaptive reuse.

## History

Laws 2024, Chapter 141 established requirements for certain municipalities to establish objective standards to allow multifamily residential development and adaptive reuse on up to 10% of the total existing commercial, office or mixed use buildings without requiring a conditional use permit or any other application that would require a public hearing.

The objective standards established by a municipality must require: 1) a municipal site plan review and approval process requirement; 2) adequate public sewer and water service for the entire proposed development; 3) compliance with all applicable building and fire codes; 4) that the existing buildings are economically or functionally obsolete; 5) that the existing buildings are located on a parcel or parcels that are at least 1 acre in size but not more than 20 acres in size; and 6) a set aside of 10% of the total dwelling units for either moderate-income housing or low-income housing or any combination of the two for at least 20 years after the initial occupation of the proposed development.

## Provisions

1. Changes the deadline for which a municipality must establish objective standards to allow for multifamily residential development or adaptive reuse. (Sec. 1)
2. Removes language relating to the percentage cap of buildings within the municipality that must allow for multifamily residential development or adaptive reuse. (Sec. 1)
3. Deletes language allowing a municipality to modify the percentage of buildings available for multifamily residential development or adaptive reuse every 10 years. (Sec. 1)
4. Requires a municipality to allow for multifamily residential development or adaptive reuse of at least 10% of the existing commercial, office or mixed use parcels. (Sec. 1)
5. Allows a municipality, in determining the minimum percentage of eligible parcels, to analyze the commercial, office and mixed use parcels every 10 years. (Sec. 1)
6. Prohibits a municipality from:
   a) designating individual parcels that are eligible for multifamily residential development or adaptive reuse;

| ☐ Prop 105 (45 votes) | ☐ Prop 108 (40 votes) | ☒ Emergency (40 votes) | ☐ Fiscal Note |
|---|---|---|---|



ATTACHMENT 28

b) excluding commercial, office or mixed use parcels from multifamily residential develop or adaptive reuse other than as permitted or if 10% of the parcels have already been develop or adapted for reuse; and

c) excluding commercial, office or mixed use parcels from multifamily residential development or adaptive reuse if the average sound level at the parcel is below 65 decibels. (Sec. 1)

7. Removes the allowable height limitation of 5 stories for a multifamily residential development. (Sec. 1)

8. Clarifies a municipality may limit the height to 2 stories in the areas of a multifamily residential development site *directly adjacent to* and within 70, rather than 100, feet of single-family residential zones. (Sec. 1)

9. Deletes language relating to a multifamily residential development qualifying as being within 1 mile of certain buildings. (Sec. 1)

10. Adds that a municipality may allow for greater height in the remainder of the multifamily resident development site. (Sec. 1)

11. Clarifies the requirements for setbacks and maximum height for adaptive reuse. (Sec. 1)

12. Deletes language relating to easements that are located within setback areas. (Sec. 1)

13. Replaces the term *buildings* with *parcels* as appropriate. (Sec. 1)

14. Modifies the definitions for *low-income housing, moderate-income housing* and *nonconforming.* (Sec. 1)

15. Makes technical and clarifying changes. (Sec. 1)

16. Applies the revisions for multifamily residential development and adaptive reuse retroactively to January 1, 2025. (Sec. 2)

17. Contain an emergency clause. (Sec. 3)

Fifty-seventh Legislature
First Regular Session

Commerce
H.B. 2110

PROPOSED
HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2110
(Reference to printed bill)

Amendment instruction key:
[GREEN UNDERLINING IN BRACKETS] indicates text added to statute or previously enacted session law.
[Green underlining in brackets] indicates text added to new session law or text restoring existing law.
[~~GREEN STRIKEOUT IN BRACKETS~~] indicates new text removed from statute or previously enacted session law.
[~~Green strikeout in brackets~~] indicates text removed from existing statute, previously enacted session law or new session law.
<<Green carets>> indicate a section added to the bill.
<<~~Green strikeout in carets~~>> indicates a section removed from the bill.

The bill as proposed to be amended is reprinted as follows:

Section 1. Section 9-462.10, Arizona Revised Statutes, is amended to read:

9-462.10. Commercial buildings; multifamily residential development; adaptive reuse; prohibition on rezoning or municipal review; objective standards; applicability; definitions

A. ~~On or before January 1, 2025~~ WITHIN [~~THIRTY~~] [SIXTY] DAYS AFTER THE EFFECTIVE DATE OF THIS AMENDMENT TO THIS SECTION, the governing body of a municipality with a population of one hundred fifty thousand or more persons shall establish objective standards to allow multifamily residential development or adaptive reuse ~~on not more than ten percent of the total~~ OF existing commercial, office or mixed use ~~buildings~~ PARCELS within the municipality without requiring a conditional use permit, a planned unit development or rezoning application or any other application that would require a public hearing. The governing body of the municipality ~~may modify the percentage of existing commercial, office or mixed use buildings within the municipality available for multifamily residential development or adaptive reuse every ten years~~ SHALL:

1. ALLOW FOR MULTIFAMILY RESIDENTIAL DEVELOPMENT OR ADAPTIVE REUSE OF AT LEAST TEN PERCENT OF THE EXISTING COMMERCIAL, OFFICE OR MIXED USE PARCELS. FOR THE PURPOSES OF DETERMINING THE MINIMUM PERCENTAGE OF PARCELS ELIGIBLE FOR MULTIFAMILY RESIDENTIAL DEVELOPMENT OR ADAPTIVE REUSE, THE GOVERNING BODY OF THE MUNICIPALITY MAY ANALYZE THE COMMERCIAL, OFFICE AND MIXED USE PARCELS EVERY TEN YEARS.

2. NOT DESIGNATE INDIVIDUAL PARCELS THAT ARE ELIGIBLE FOR MULTIFAMILY RESIDENTIAL DEVELOPMENT OR ADAPTIVE REUSE.

Adopted ✓ # of Verbals _____
Failed _____ Withdrawn _____
Not Offered ____ Analysts Initials ___

ATTACHMENT 29

3. NOT EXCLUDE COMMERCIAL, OFFICE OR MIXED USE PARCELS FROM MULTIFAMILY RESIDENTIAL DEVELOPMENT OR ADAPTIVE REUSE OTHER THAN AS ALLOWED BY SUBSECTIONS B AND G OF THIS SECTION OR IF TEN PERCENT OF THE PARCELS HAVE ALREADY BEEN DEVELOPED OR ADAPTED FOR REUSE.

4. NOT EXCLUDE COMMERCIAL, OFFICE OR MIXED USE PARCELS FROM MULTIFAMILY RESIDENTIAL DEVELOPMENT OR ADAPTIVE REUSE IF THE AVERAGE SOUND LEVEL AT THE PARCEL IS BELOW SIXTY-FIVE DECIBELS.

B. A municipality may designate commercial or employment hubs and other essential commercial or employment use areas where existing commercial, office, employment or mixed use ~~buildings~~ PARCELS are excluded from the provisions of this section. The designations made pursuant to this subsection may not exceed ten percent of the existing commercial, office, employment or mixed use ~~buildings~~ PARCELS within the municipality. A municipality may modify the commercial or employment hubs that are excluded from the provisions of this section once every ten years.

C. For multifamily residential development or adaptive reuse, the objective standards established by a municipality shall require ~~but may not require more than~~ ONLY the following:

1. A municipal site plan review and approval process requirement, including site plan review by any utility provider impacted by the proposed development.

2. Adequate public sewer and water service for the entire proposed development.

3. Compliance with all applicable building CODES and fire codes.

4. That the existing buildings are economically or functionally obsolete.

5. That the existing buildings are located on a parcel or parcels that are at least one acre in size but not more than twenty acres in size.

6. A set-aside of ten percent of the total dwelling units for either moderate-income housing or low-income housing or any combination of the two for at least twenty years after the initial occupation of the proposed development. The developer may set aside more than ten percent at the developer's sole discretion.

D. The objective standards may not contain parking space requirements that exceed the parking requirements that apply to multifamily residential buildings or adaptive reuse buildings under the existing zoning code unless the proposed multifamily residential development or adaptive reuse also qualifies as a mixed use development.

E. A municipality ~~may~~ SHALL not withhold a demolition permit if a multifamily residential development meets the requirements of this section. For a multifamily residential development, all of the following apply:

1. The demolition of all or a portion of the existing commercial, office or mixed use buildings shall be allowed.

2. Setback requirements may not exceed what is required in the existing zoning code for multifamily residential buildings [, INCLUDING

MIXED USE BUILDINGS WITH THE MAJORITY OF FLOOR AREA DEDICATED TO RESIDENTIAL USES].

3. Notwithstanding section 9-462.01, subsection C, the maximum height and density shall be equal to the highest allowable multifamily height and density for a multifamily zoning district in the municipality within one mile of the [~~building~~] [PARCEL] to be redeveloped. If there is no multifamily zoning district in the municipality within one mile of the [~~building~~] [PARCEL] to be redeveloped, the maximum height and density shall be equivalent to the next closest multifamily zoning district [OR A ZONING DISTRICT THAT ALLOWS RESIDENTIAL DEVELOPMENT, INCLUDING COMMERCIAL ZONING DISTRICTS THAT ALLOW FOR RESIDENTIAL DEVELOPMENT WHICHEVER HEIGHT AND DENSITY IS GREATER].

4. The [allowable height may not exceed five stories and a] municipality may limit the height to two stories in the areas of a MULTIFAMILY RESIDENTIAL DEVELOPMENT site DIRECTLY ADJACENT TO AND within [one hundred] [~~SEVENTY~~] feet of single-family residential zones. ~~Multifamily residential development that is constructed pursuant to this section does not qualify as being within one mile of the building being redeveloped or the next closest multifamily building~~ THE MUNICIPALITY [~~MAY~~] [SHALL] ALLOW FOR GREATER HEIGHT IN THE REMAINDER OF THE SITE.

[5. MULTIFAMILY RESIDENTIAL DEVELOPMENT THAT IS CONSTRUCTED PURSUANT TO THIS SECTION DOES NOT QUALIFY AS BEING WITHIN ONE MILE OF THE PARCEL BEING REDEVELOPED OR THE NEXT CLOSEST MULTIFAMILY PARCEL.]

F. A municipality ~~may~~ SHALL not withhold a demolition permit if an adaptive reuse project meets the requirements of this section. For adaptive reuse, all of the following apply:

1. The demolition of a portion of the existing commercial, office or mixed use building or buildings shall be allowed.

2. The setback requirements for the proposed use shall apply. If the minimum setback requirement that applies to the existing commercial, office or mixed use building is less than the minimum setback requirement that applies to the ~~proposed~~ MULTIFAMILY use, the existing SETBACK SHALL REMAIN AND THE building shall be considered nonconforming for setback purposes [unless easements, including public utility easements, are located within setback areas].

3. If the maximum allowable height that applies to the existing commercial, office or mixed use building exceeds the maximum allowable height for the proposed use, the existing height ~~may~~ SHALL remain and THE BUILDING shall be considered nonconforming for height purposes and the existing building may be expanded to the maximum allowable density for ~~the proposed~~ MULTIFAMILY use. Any rooftop appurtenances shall be included within the height exemption.

G. This section does not apply to any of the following:

1. Land in an area that is designated as a district of historical significance pursuant to section 9-462.01, subsection A, paragraph 10.

2. Land in an area that is designated historic by a local government.

3. Land in an area that is designated as historic on the national register of historic places.

4. Land in the territory in the vicinity of a military airport or ancillary military facility as defined in section 28-8461.

5. Land in the [territory in the] [~~IMMEDIATE~~] vicinity of a federal aviation administration commercially licensed airport or a general aviation or public airport as defined in section 28-8486.

6. Land in a municipality that is located on tribal land.

H. For the purposes of this section:

1. "Adaptive reuse" means converting an existing building from the use for which it was constructed to ~~a new~~ MULTIFAMILY use by maintaining some or all of the elements of the building.

2. "Building code" has the same meaning prescribed in section 9-1301.

3. "Economically or functionally obsolete" means the commercial, office or mixed use ~~building~~ PARCEL is in a state of disrepair or has AT LEAST a fifty percent vacancy in the total leasable square footage.

4. "Low-income housing" means housing~~:~~

~~(a)~~ for a person or persons whose household income does not exceed eighty percent of the area median income.

~~(b) For which the occupant pays not more than thirty percent of the occupant's gross income for the occupant's rent or mortgage, as determined by the Arizona department of housing and adjusted for household size based on the United States department of housing and urban development.~~

5. "Moderate-income housing" means housing~~:~~

~~(a)~~ for a person or persons whose household income does not exceed one hundred twenty percent of the area median income.

~~(b) For which the occupant pays not more than thirty percent of the occupant's gross income for the occupant's rent or mortgage, as determined by the Arizona department of housing and adjusted for household size based on the United States department of housing and urban development.~~

6. "Multifamily residential development" means a building or buildings that are designed and used for residential purposes and that contain more than one apartment or dwelling unit for sale or for rent but that are not adaptive reuse.

7. "Nonconforming" means structures that have received ~~building and zoning~~ OCCUPANCY permits under the regulations in place at the time of construction.

8. "Rooftop appurtenances":

(a) Means rooftop structures that principally house air conditioning equipment, solar panels, utilities, elevators, other energy production facilities and other nonhabitable structures.

(b) Includes open space features, swimming pools, space for use by residents and landscaping.

(c) Does not include enclosed areas, spires, bell towers, domes, cupolas, pediments, obelisks or monuments.

Sec. 2. Retroactivity

Section 9-462.10, Arizona Revised Statutes, as amended by this act, applies retroactively to from and after December 31, 2024.

Sec. 3. Emergency

This act is an emergency measure that is necessary to preserve the public peace, health or safety and is operative immediately as provided by law.

Enroll and engross to conform
Amend title to conform

JEFF WENINGER

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# ARIZONA HOUSE OF REPRESENTATIVES
## Fifty-seventh Legislature - First Regular Session

## ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. HB 2110

DATE February 04, 2025 MOTION: DPA

| | PASS | AYE | NAY | PRESENT | ABSENT |
|---|---|---|---|---|---|
| Aguilar | | ✓ | | | |
| Blackman | | ✓ | | | |
| Cavero | | ✓ | | | |
| Connolly | | ✓ | | | |
| Diaz | | ✓ | | | |
| Hendrix | | ✓ | | | |
| Villegas | | ✓ | | | |
| Wilmeth | | ✓ | | | |
| Way, Vice-Chairman | | ✓ | | | |
| Weninger, Chairman | | ✓ | | | |
| | | 10 | 0 | 0 | 0 |

Abby Delvey
COMMITTEE SECRETARY

APPROVED:

Jeff Weninger
JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 30

# ARIZONA HOUSE OF REPRESENTATIVES

Fifty-seventh Legislature
First Regular Session

**HB 2624: timeshare salespersons; licensure**
**Sponsor: Representative Weninger, LD 13**
**Committee on Commerce**

**Overview**
Establishes requirements and qualifications for a timeshare salesperson license.

**History**
The Arizona Department of Real Estate (ADRE) protects the public interest through licensure and regulation of the real estate profession in Arizona. ADRE, under direction of the Real Estate Commissioner (Commissioner), is responsible for: 1) licensing and regulating real estate, cemetery and membership camping salespersons and brokers; 2) investigating complaints from the public and licensees regarding real estate transactions; 3) ensuring enforcement of real estate statutes and rules; 4) providing proper educational material to guide and assist the public and licensees; 5) issues public reports for timeshares, subdivisions and unsubdivided land; and 6) inspects brokers' records and transactions to ensure compliance with statutory requirements.

Any person who sells, offers to sell or attempts to solicit prospective purchasers located in this state to purchase a timeshare interest or any person who creates a timeshare plan with an accommodation in this state, whether or not the plan is sold or offered for sale in this state, must register a notice of intent to sell and application for a public report with ADRE (A.R.S. § 32-2197.02).

**Provisions**
1. Allows the Commissioner to adopt rules specifying the requirements of examination preparation courses for timeshare salesperson license applicants. (Sec. 3)
2. Limits the preparation course and timeshare examination to specific real estate laws, regulations and business practices and ethics that are directly related to the sale of timeshare interests. (Sec. 3)
3. Instructs the Commissioner to ascertain that a timeshare salesperson license applicant meets outlined qualifications. (Sec. 3)
4. Exempts a timeshare salesperson renewal applicant from submitting to an examination provided the application is made within 12 months after the license expires and the license has not been canceled, terminated or suspended. (Sec. 3)
5. Allows a real estate broker or salesperson to engage in timeshare sales activities without being separately licensed. (Sec. 4)
6. Includes timeshare sales to the list of categories in which a real estate licensee may have only one employing broker. (Sec. 4)

☐ Prop 105 (45 votes) ☐ Prop 108 (40 votes) ☐ Emergency (40 votes) ☐ Fiscal Note



ATTACHMENT 31

7. Clarifies it is unlawful for a person to act as a real estate broker or salesperson, timeshare salesperson, cemetery broker or salesperson or membership camping broker or salesperson while the licensee's license is expired. (Sec. 5)
8. Allows the Commissioner to issue a onetime 30-day certificate of convenience to a person who has applied and qualifies for a timeshare salesperson's license without examination. (Sec. 6)
9. Instructs an employing timeshare plan developer's designated broker to certify that the timeshare salesperson applicant will be trained in applicable timeshare and contract laws before participating in any offer or sale. (Sec. 6)
10. Applies statutory grounds for denial of a license to a timeshare salesperson applicant. (Sec. 7)
11. Defines *timeshare salesperson* as a natural person who acts under the supervision of a licensed real estate broker to sell or exchange timeshare properties on behalf of a timeshare plan developer or other person. (Sec. 1)
12. Makes conforming changes. (Sec. 2)
13. Contains a legislative intent clause. (Sec. 8)
14. Contains a delayed effective date of July 1, 2026. (Sec. 9)

# ARIZONA HOUSE OF REPRESENTATIVES
## Fifty-seventh Legislature - First Regular Session

## ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. HB 2624

DATE February 04, 2025 MOTION: DP

| | PASS | AYE | NAY | PRESENT | ABSENT |
|---|---|---|---|---|---|
| Aguilar | | ✓ | | | |
| Blackman | | ✓ | | | |
| Cavero | | ✓ | | | |
| Connolly | | ✓ | | | |
| Diaz | | ✓ | | | |
| Hendrix | | ✓ | | | |
| Villegas | | ✓ | | | |
| Wilmeth | | ✓ | | | |
| Way, Vice-Chairman | | ✓ | | | |
| Weninger, Chairman | | ✓ | | | |
| | | 10 | 0 | 0 | 0 |

Abby Selvey
COMMITTEE SECRETARY

APPROVED:

Jeff Weninger
JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 32

# ARIZONA HOUSE OF REPRESENTATIVES

Fifty-seventh Legislature
First Regular Session

**HB 2370: entrance fee; refunds; time frame**
**Sponsor: Representative Gress, LD 4**
**Committee on Commerce**

**Overview**
Provides requirements for assigning a vacated unit a sequential refund number for refunding entrance fees.

**History**
A life care contract is a contractual agreement between a provider and a person (contract holder) to provide for nursing services, medical services or health-related services, in addition to board and lodging for the person in a facility or services in the person's private residence with the right to future access to services, board and lodging in a facility, and is conditioned on the transfer of an entrance fee to the provider for such services. Life care contracts may only be offered by persons who are issued a permit as a provider by the Department of Insurance and Financial Institution (DIFI).

As a condition for issuing the permit, DIFI requires the provider to maintain on a current basis and in escrow an amount equal to the aggregate principal and interest payments due during the next twelve months on account of any first mortgage or other long-term financing of the facility. Additionally, the provider must establish an escrow account and place any entrance fee in escrow prior to occupancy in the facility or providing services. Statute outlines the conditions for releasing entrance fee monies to the provider.

An entrance fee that is held in escrow may be returned to the person who had made payment to the provider at any time by the escrow agent on receipt of notice from the provider that such person is entitled to a refund of the entrance fee. (Title 20, Chapter 8, A.R.S.)

**Provisions**
1. Requires, within sixty days after a facility receives a resident's notice to vacate, the facility to assign the vacated unit a sequential refund number among the available units with refundable entrance fees and provide refunds in order based on the sequential refund number if:
   a) the life care contract provides for a refundable entrance fee;
   b) the terms under a life care contract for issuing a sequential refund number are fulfilled; or
   c) the unit is restored pursuant to statute. (Sec. 1)
2. Specifies that the requirement to assign a sequential refund number does not apply to a life care contract that provides for a two-year waiting period before a facility is required to provide a refund. (Sec. 1)
3. Allows a facility to restore a unit to its original condition after the unit is vacated. (Sec. 1

☐ Prop 105 (45 votes) ☐ Prop 108 (40 votes) ☐ Emergency (40 votes) ☐ Fiscal Note



ATTACHMENT 33

4. Allows a facility to impose fees until all personal property is removed after the unit is vacated. (Sec. 1)
5. Authorizes the facility to remove the resident's personal property on the 21 day after the facility receives the notice to vacate. (Sec. 1)
6. Makes technical changes. (Sec. 1)
7. Contains a delayed effective date of January 1, 2026. (Sec. 2)

# ARIZONA HOUSE OF REPRESENTATIVES
## Fifty-seventh Legislature - First Regular Session

## ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. HB 2370

DATE February 04, 2025 MOTION: DP

| | PASS | AYE | NAY | PRESENT | ABSENT |
|---|---|---|---|---|---|
| Aguilar | | ✓ | | | |
| Blackman | | ✓ | | | |
| Cavero | | ✓ | | | |
| Connolly | | | ✓ | | |
| Diaz | | | ✓ | | |
| Hendrix | | ✓ | | | |
| Villegas | | ✓ | | | |
| Wilmeth | | ✓ | | | |
| Way, Vice-Chairman | | ✓ | | | |
| Weninger, Chairman | | ✓ | | | |
| | | 8 | 2 | 0 | 0 |

Abby Dalvey
COMMITTEE SECRETARY

APPROVED:
Jeff Weninger
JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 34

# ARIZONA HOUSE OF REPRESENTATIVES

Fifty-seventh Legislature
First Regular Session

**HB 2345: loan agreements; escrow**
**Sponsor: Representative Hendrix, LD 14**
**Committee on Commerce**

**Overview**
Specifies escrow monies may only be used to make payments pursuant to the loan agreement unless outlined exceptions apply.

**History**
An escrow agent is a person engaged in the business of accepting escrows which is any transaction in which escrow property is delivered to a person not otherwise having any right or title in connection with the sale or transfer of real or personal property to be delivered by that person upon the contingent happening of a specified event or performance (A.R.S. § 6-801).

An escrow agent is required to deposit and maintain all monies deposited in escrow to be delivered on the close of the escrow or on any other contingency in a bank and keep all escrow monies separate from monies belonging to the agent (A.R.S. § 6-834).

**Provisions**
1. Specifies escrow agents may use monies in an escrow account only to make a onetime payment or multiple payments according to the loan agreement unless:
   a) the loan agreement specifically states that the monies may be used for another purpose and that purpose is expressly stated in the loan agreement;
   b) a deed in lieu of foreclosure agreement specifically states the monies may be used for another purpose and that purpose is stated in the deed in lieu of foreclosure agreement;
   c) an agreement is entered into by the parties to negotiate a settlement of the loan and that agreement includes a provision for the use of the monies; or
   d) an agreement is entered into by the parties that provides for a portion of the escrow account to be used to bring an account that is in arrears to a current status. (Sec. 1)

☐ Prop 105 (45 votes) ☐ Prop 108 (40 votes) ☐ Emergency (40 votes) ☐ Fiscal Note



ATTACHMENT 35

# ARIZONA HOUSE OF REPRESENTATIVES
## Fifty-seventh Legislature - First Regular Session

## ROLL CALL VOTE

COMMITTEE ON Commerce BILL NO. HB 2345

DATE February 04, 2025 MOTION: DP

| | PASS | AYE | NAY | PRESENT | ABSENT |
|---|---|---|---|---|---|
| Aguilar | | ✓ | | | |
| Blackman | | ✓ | | | |
| Cavero | | ✓ | | | |
| Connolly | | ✓ | | | |
| Diaz | | ✓ | | | |
| Hendrix | | ✓ | | | |
| Villegas | | ✓ | | | |
| Wilmeth | | ✓ | | | |
| Way, Vice-Chairman | | ✓ | | | |
| Weninger, Chairman | | ✓ | | | |
| | | 10 | 0 | 0 | 0 |

Abby Salvey
COMMITTEE SECRETARY

APPROVED:

Jeff Weninger
JEFF WENINGER, Chairman
MICHAEL WAY, Vice-Chairman

ATTACHMENT 36