

**Proposed Changes to the Model City Tax Code**

1 **Section I. Model City Tax Code Section 425 is amended as follows, with an effective date**  
2 **of September 21, 2006.**

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4 **Sec. \_\_\_\_-425. Job printing.**

5 (a) The tax rate shall be at an amount equal to \_\_\_\_\_ percent (\_\_\_\_%) of the gross income  
6 from the business activity upon every person engaging or continuing in the business of  
7 job printing, which includes engraving of printing plates, embossing, copying,  
8 micrographics, and photo reproduction.

9 (b) The tax imposed by this Section shall not apply to:

10 (1) job printing purchased for the purpose of resale by the purchaser in the form  
11 supplied by the job printer.

12 (2) out-of-City sales.

13 (3) out-of-State sales.

14 **\*\***(4) job printing of newspapers, magazines, or other periodicals or publications for a  
15 person who is subject to the tax imposed by subsection \_\_\_\_-435(a) or an  
16 equivalent excise tax; provided further that said person is properly licensed by  
17 the taxing jurisdiction at the location of publication.

18 **Model Option #3:** (4) (Reserved)\*\*

19 (5) sales of job printing to a qualifying hospital, qualifying community health center or  
20 a qualifying health care organization, except when the property sold is for use in  
21 activities resulting in gross income from unrelated business income as that term  
22 is defined in 26 U.S.C. Section 512.

23 (6) (Reserved)

24 (7) SALES OF POSTAGE AND FREIGHT EXCEPT THAT THE AMOUNT  
25 DEDUCTED SHALL NOT EXCEED THE ACTUAL POSTAGE AND FREIGHT  
26 EXPENSE THAT IS PAID TO THE UNITED STATES POSTAL SERVICE OR A  
27 COMMERCIAL DELIVERY SERVICE AND THAT IS SEPARATELY ITEMIZED

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BY THE TAXPAYER ON THE CUSTOMER'S INVOICE AND IN THE  
TAXPAYER'S RECORDS.

**Section II. Model City Tax Code Section 450 is amended as follows, with an effective date  
of September 1, 2004.**

**Sec. \_\_\_-450. Rental, leasing, and licensing for use of tangible personal property.**

(a) The tax rate shall be at an amount equal to \_\_\_\_\_ percent (\_\_\_%) of the gross income from the business activity upon every person engaging or continuing in the business of leasing, licensing for use, or renting tangible personal property for a consideration, including that which is semi-permanently or permanently installed within the City as provided by Regulation.

(b) Special provisions relating to long-term motor vehicle leases. A lease transaction involving a motor vehicle for a minimum period of twenty-four (24) months shall be considered to have occurred at the location of the motor vehicle dealership, rather than the location of the place of business of the lessor, even if the lessor's interest in the lease and its proceeds are sold, transferred, or otherwise assigned to a lease financing institution; provided further that the city or town where such motor vehicle dealership is located levies a Privilege Tax or an equivalent excise tax upon the transaction.

(c) Gross income derived from the following transactions shall be exempt from Privilege Taxes imposed by this Section:

- (1) rental, leasing, or licensing for use of tangible personal property to persons engaged or continuing in the business of leasing, licensing for use, or rental of such property.
- (2) rental, leasing, or licensing for use of tangible personal property that is semi-permanently or permanently installed within another city or town that levies an equivalent excise tax on the transaction.

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- 1 (3) rental, leasing, or licensing for use of film, tape, or slides to a theater or other  
2 person taxed under Section \_\_\_-410, or to a radio station, television station, or  
3 subscription television system.
- 4 (4) rental, leasing, or licensing for use of the following:
- 5 (A) prosthetics.
- 6 (B) income-producing capital equipment.
- 7 (C) mining and metallurgical supplies.
- 8 These exemptions include the rental, leasing, or licensing for use of tangible  
9 personal property which, if it had been purchased instead of leased, rented, or  
10 licensed by the lessee or licensee, would qualify as income-producing capital  
11 equipment or mining and metallurgical supplies.
- 12 (5) rental, leasing, or licensing for use of tangible personal property to a qualifying  
13 hospital, qualifying community health center or a qualifying health care  
14 organization, except when the property so rented, leased, or licensed is for use in  
15 activities resulting in gross income from unrelated business income as that term  
16 is defined in 26 U.S.C. Section 512 or rental, leasing, or licensing for use of  
17 tangible personal property in this State by a nonprofit charitable organization that  
18 has qualified under Section 501(c)(3) of the United States Internal Revenue Code  
19 and that engages in and uses such property exclusively for training, job  
20 placement or rehabilitation programs or testing for mentally or physically  
21 handicapped persons.
- 22 (6) separately billed charges for delivery, installation, repair, and/or maintenance as  
23 provided by Regulation.
- 24 (7) charges for joint pole usage by a person engaged in the business of providing or  
25 furnishing utility or telecommunication services to another person engaged in the  
26 business of providing or furnishing utility or telecommunication services.
- 27 **\*\***(8) the gross income from coin-operated washing, drying, and dry cleaning  
28 machines, or from coin-operated car washing machines. This exemption shall not

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1 apply to suppliers or distributors renting, leasing, or licensing for use of such  
2 equipment to persons engaged in the operation of coin-operated washing, drying,  
3 dry cleaning, or car washing establishments.

### 4 **Model Option #7: (8) (Reserved)\*\***

5 (9) rental, leasing, or licensing of aircraft that would qualify as aircraft acquired for  
6 use outside the State, as prescribed by Regulation, if such rental, leasing, or  
7 licensing had been a sale.

8 (10) rental, leasing and licensing for use of an alternative fuel vehicle if such vehicle  
9 was manufactured as a diesel fuel vehicle and converted to operate on  
10 alternative fuel and equipment that is installed in a conventional diesel fuel motor  
11 vehicle to convert the vehicle to operate on an alternative fuel, as defined in  
12 A.R.S. Section 1-215.

13 (11) rental, leasing, and licensing for use of solar energy devices, for taxable periods  
14 beginning from and after July 1, 2008. The lessor shall register with the  
15 department of revenue as a solar energy retailer. By registering, the lessor  
16 acknowledges that it will make its books and records relating to leases of solar  
17 energy devices available to the Department of Revenue and city, as applicable,  
18 for examination.

19 (12) LEASING OR RENTING CERTIFIED IGNITION INTERLOCK DEVICES  
20 INSTALLED PURSUANT TO THE REQUIREMENTS PRESCRIBED BY A.R.S.  
21 SECTION 28-1461. FOR THE PURPOSES OF THIS PARAGRAPH,  
22 "CERTIFIED IGNITION INTERLOCK DEVICE" HAS THE SAME MEANING  
23 PRESCRIBED IN A.R.S. SECTION 28-1301.  
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**Section III. Model City Tax Code Section 460 is amended as follows, with an effective date of October 1, 2007.**

**Sec. \_\_\_-460. Retail sales: measure of tax; burden of proof; exclusions.**

- (a) The tax rate shall be at an amount equal to \_\_\_\_\_ percent (\_\_\_%) of the gross income from the business activity upon every person engaging or continuing in the business of selling tangible personal property at retail.
- (b) The burden of proving that a sale of tangible personal property is not a taxable retail sale shall be upon the person who made the sale.
- (c) Exclusions. For the purposes of this Chapter, sales of tangible personal property shall not include:
  - (1) sales of stocks, bonds, options, or other similar materials.
  - (2) sales of lottery tickets or shares pursuant to Article I, Chapter 5, Title 5, Arizona Revised Statutes.
  - (3) sales of platinum, bullion, or monetized bullion, except minted or manufactured coins transferred or acquired primarily for their numismatic value as prescribed by Regulation.
  - (4) gross income derived from the transfer of tangible personal property which is specifically included as the gross income of a business activity upon which another Section of this Article imposes a tax, shall be considered gross income of that business activity, and are not includable as gross income subject to the tax imposed by this Section.
  - (5) sales by professional or personal service occupations where such sales are inconsequential elements of the service provided.

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1 (6) SALES OF CASH EQUIVALENTS. THE GROSS PROCEEDS OF  
2 SALES OR GROSS INCOME DERIVED FROM THE REDEMPTION OF  
3 ANY CASH EQUIVALENT BY THE HOLDER AS A MEANS OF  
4 PAYMENT FOR GOODS OR SERVICES THAT ARE TAXABLE UNDER  
5 THIS ARTICLE IS SUBJECT TO THE TAX. "CASH EQUIVALENTS"  
6 MEANS ITEMS OR INTANGIBLES, WHETHER OR NOT NEGOTIABLE,  
7 THAT ARE SOLD TO ONE OR MORE PERSONS, THROUGH WHICH A  
8 VALUE DENOMINATED IN MONEY IS PURCHASED IN ADVANCE  
9 AND MAY BE REDEEMED IN FULL OR IN PART FOR TANGIBLE  
10 PERSONAL PROPERTY, INTANGIBLES OR SERVICES. CASH  
11 EQUIVALENTS INCLUDE GIFT CARDS, STORED VALUE CARDS,  
12 GIFT CERTIFICATES, VOUCHERS, TRAVELER'S CHECKS, MONEY  
13 ORDERS OR OTHER INSTRUMENTS, ORDERS OR ELECTRONIC  
14 MECHANISMS, SUCH AS AN ELECTRONIC CODE, PERSONAL  
15 IDENTIFICATION NUMBER OR DIGITAL PAYMENT MECHANISM, OR  
16 ANY OTHER PREPAID INTANGIBLE RIGHT TO ACQUIRE TANGIBLE  
17 PERSONAL PROPERTY, INTANGIBLES OR SERVICES IN THE  
18 FUTURE, WHETHER FROM THE SELLER OF THE CASH  
19 EQUIVALENT OR FROM ANOTHER PERSON. CASH EQUIVALENTS  
20 DO NOT INCLUDE EITHER OF THE FOLLOWING:

21 (A) ITEMS OR INTANGIBLES THAT ARE SOLD TO ONE OR  
22 MORE PERSONS, THROUGH WHICH A VALUE IS NOT  
23 DENOMINATED IN MONEY.

24 (B) PREPAID CALLING CARDS OR PREPAID  
25 AUTHORIZATION NUMBERS FOR

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TELECOMMUNICATIONS SERVICES MADE TAXABLE  
BY SUBSECTION (g) OF THIS SECTION.

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(d) (Reserved)

**++(Local Option #V:**

(d) Notwithstanding the provisions of subsection (a) above, when the gross income from the sale of a single item of tangible personal property exceeds dollars (\$\_\_\_\_\_), the \_\_\_\_\_ percent (\_\_\_%) tax rate shall apply to the first \$\_\_\_\_\_. Above \$\_\_\_\_\_, the measure of tax shall be at a rate of \_\_\_\_\_ percent (\_\_\_%).)++

(e) When this City and another Arizona city or town with an equivalent excise tax could claim nexus for taxing a retail sale, the city or town where the permanent business location of the seller at which the order was received shall be deemed to have precedence, and for the purposes of this Chapter such city or town has sole and exclusive right to such tax.

(f) The appropriate tax liability for any retail sale where the order is received at a permanent business location of the seller located in this City or in an Arizona city or town that levies an equivalent excise tax shall be at the tax rate of the city or town of such seller's location.

(g) 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.