

Approved Resolution, Changes to the Model City Tax Code:  
"2014-2018 Legislative Actions Amendment"

1 Section I. Model City Tax Code Section 110 is amended as follows, with the following  
2 effective dates per subsection: (a)(3) January 1, 2015; (a)(6) June 1, 1998; (a)(14) April 17,  
3 1985.

4  
5 **Sec. \_\_\_-110. Definitions: Income-producing capital equipment.**

6 (a) The following tangible personal property, other than items excluded in subsection  
7 (d) below, shall be deemed "income-producing capital equipment" for the  
8 purposes of this Chapter:

- 9 (1) machinery or equipment used directly in manufacturing, processing,  
10 fabricating, job printing, refining or metallurgical operations. The terms  
11 "manufacturing", "processing", "fabricating", "job printing", "refining", and  
12 "metallurgical" as used in this paragraph refer to and include those  
13 operations commonly understood within their ordinary meaning.  
14 "Metallurgical operations" includes leaching, milling, precipitating,  
15 smelting and refining.
- 16 (2) mining machinery, or equipment, used directly in the process of extracting  
17 ores or minerals from the earth for commercial purposes, including  
18 equipment required to prepare the materials for extraction and handling,  
19 loading or transporting such extracted material to the surface. "Mining"  
20 includes underground, surface and open pit operations for extracting ores  
21 and minerals.
- 22 (3) tangible personal property, sold to persons engaged in business  
23 classified under the telecommunications classification, INCLUDING A  
24 PERSON REPRESENTING OR WORKING ON BEHALF OF SUCH A  
25 PERSON IN A MANNER DESCRIBED IN SECTION -415(B)(12) AND

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1 A.R.S. SECTION 42-5075, SUBSECTION O, consisting of central office  
2 switching equipment; switchboards; private branch exchange equipment;  
3 microwave radio equipment, and carrier equipment including optical fiber,  
4 coaxial cable, and other transmission media which are components of  
5 carrier systems.

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

10 (5) pipes or valves four inches (4") in diameter or larger and related  
11 equipment, used to transport oil, natural gas, artificial gas, water, or coal  
12 slurry. For the purpose of this Section, related equipment includes:  
13 compressor units, regulators, machinery and equipment, fittings, seals  
14 and any other parts that are used in operating the pipes or valves.

15 (6) aircraft, navigational and communication instruments, and other  
16 accessories and related equipment sold to:

17 (A) a person:

18 (i) holding, OR EXEMPTED BY FEDERAL LAW FROM  
19 OBTAINING, a federal certificate of public convenience  
20 and necessity FOR USE AS, IN CONJUNCTION WITH OR  
21 BECOMING PART OF AN AIRCRAFT TO BE USED TO  
22 TRANSPORT PERSONS FOR HIRE IN INTRASTATE,  
23 INTERSTATE OR FOREIGN COMMERCE.

24 (ii) THAT IS CERTIFICATED OR LICENSED UNDER  
25 FEDERAL AVIATION ADMINISTRATION REGULATIONS

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1 (14 CODE OF FEDERAL REGULATIONS PART 121 OR  
2 135) AS A SCHEDULED OR UNSCHEDULED CARRIER  
3 OF PERSONS FOR HIRE FOR USE AS OR IN  
4 CONJUNCTION WITH OR BECOMING PART OF AN  
5 AIRCRAFT TO BE USED TO TRANSPORT PERSONS  
6 FOR HIRE IN INTRASTATE, INTERSTATE OR FOREIGN  
7 COMMERCE.

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

12 (iv) OPERATING AN AIRCRAFT TO TRANSPORT PERSONS  
13 IN ANY MANNER FOR COMPENSATION OR HIRE, OR  
14 FOR USE IN A FRACTIONAL OWNERSHIP PROGRAM  
15 THAT MEETS THE REQUIREMENTS OF FEDERAL  
16 AVIATION ADMINISTRATION REGULATIONS (14 CODE  
17 OF FEDERAL REGULATIONS PART 91, SUBPART K),  
18 INCLUDING AS AN AIR CARRIER, A FOREIGN AIR  
19 CARRIER OR A COMMERCIAL OPERATOR OR UNDER  
20 A RESTRICTED CATEGORY, WITHIN THE MEANING  
21 OF 14 CODE OF FEDERAL REGULATIONS,  
22 REGARDLESS OF WHETHER THE OPERATION OR  
23 AIRCRAFT IS REGULATED OR CERTIFIED UNDER  
24 PART 91, 119, 121, 133, 135, 136 OR 137, OR ANOTHER  
25 PART OF 14 CODE OF FEDERAL REGULATIONS.

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1                   (v) THAT WILL LEASE OR OTHERWISE TRANSFER  
2                               OPERATIONAL CONTROL, WITHIN THE MEANING OF  
3                               FEDERAL AVIATION ADMINISTRATION OPERATIONS  
4                               SPECIFICATION A008, OR ITS SUCCESSOR, OF THE  
5                               AIRCRAFT, INSTRUMENTS OR ACCESSORIES TO ONE  
6                               OR MORE PERSONS DESCRIBED IN ITEM (i), (ii), (iii)  
7                               OR (iv) OF THIS SUBDIVISION, SUBJECT TO A.R.S.  
8                               SECTION 42-5009, SUBSECTION N.

9           (B) any foreign government.

10           (C) persons who are not residents of this State and who will not use  
11                   such property in this State other than in removing such property  
12                   from this State. This subdivision also applies to corporations that  
13                   are not incorporated in this State, regardless of maintaining a  
14                   place of business in this State, if the principal corporate office is  
15                   located outside this State and the property will not be used in this  
16                   State other than in removing the property from this State.

17           (7) machinery, tools, equipment and related supplies used or consumed  
18                   directly in repairing, remodeling or maintaining aircraft, aircraft engines or  
19                   aircraft component parts by or on behalf of a certificated or licensed  
20                   carrier of persons or property.

21           (8) railroad rolling stock, rails, ties and signal control equipment used directly  
22                   to transport persons or property.

23           (9) machinery or equipment used directly to drill for oil or gas or used directly  
24                   in the process of extracting oil or gas from the earth for commercial  
25                   purposes.

**Deleted:** for use by such government outside of  
this State

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- 1 (10) buses or other urban mass transit vehicles which are used directly to  
2 transport persons or property for hire or pursuant to a governmentally  
3 adopted and controlled urban mass transportation program and which are  
4 sold to bus companies holding a federal certificate of convenience and  
5 necessity or operated by a city, town or other governmental entity or by  
6 any person contracting with such governmental entity as part of a  
7 governmentally adopted and controlled program to provide urban mass  
8 transportation.
- 9 (11) metering, monitoring, receiving, and transmitting equipment acquired by  
10 persons engaged in the business of providing utility services or  
11 telecommunications services; but only to the extent that such equipment  
12 is to be used by the customers of such persons and such persons  
13 separately charge or bill their customers for use of such equipment.
- 14 (12) groundwater measuring devices required under A.R.S. ~~SECTION 45-604.~~  
15 (13) machinery or equipment used in research and development. In this  
16 paragraph, "research and development" means basic and applied  
17 research in the sciences and engineering, and designing, developing or  
18 testing prototypes, processes or new products, including research and  
19 development of computer software that is embedded in or an integral part  
20 of the prototype or new product or that is required for machinery or  
21 equipment otherwise exempt under this Section to function effectively.  
22 Research and development do not include manufacturing quality control,  
23 routine consumer product testing, market research, sales promotion,  
24 sales service, research in social sciences or psychology, computer

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1 software research that is not included in the definition of research and  
2 development, or other nontechnological activities or technical services.

3 (14) (Reserved)

4 **++(Local Option #A:**

5 (14) new machinery and equipment consisting of AGRICULTURAL  
6 AIRCRAFT, tractors, tractor-drawn implements, self-powered implements,  
7 and drip irrigation lines, acquired by persons engaged or continuing in  
8 business for use in the commercial production of agricultural, horticultural,  
9 viticultural, or floricultural crops in this State. For the purposes of this  
10 paragraph:

11 (A) "new machinery and equipment" means machinery or equipment  
12 which has never been sold at retail except pursuant to leases or  
13 rentals which do not total two years or more.

14 (B) "AGRICULTURAL AIRCRAFT" MEANS AN AIRCRAFT THAT IS  
15 BUILT FOR AGRICULTURAL USE FOR THE AERIAL  
16 APPLICATION OF PESTICIDES OR FERTILIZER OR FOR  
17 AERIAL SEEDING.

18 (C) "SELF-POWERED IMPLEMENTS" INCLUDES MACHINERY  
19 AND EQUIPMENT THAT ARE ELECTRIC-POWERED.)++

20 (15) Included in income producing capital equipment are liquid, solid or  
21 gaseous chemicals used in manufacturing, processing, fabricating,  
22 mining, refining, metallurgical operations, research and development or  
23 job printing, if using or consuming the chemicals, alone or as part of an  
24 integrated system of chemicals, involving direct contact with the materials  
25 from which the product is produced for the purpose of causing or

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1           permitting a chemical or physical change to occur in the materials as part  
2           of the production process. This subsection does not include chemicals  
3           that are used or consumed in activities such as packaging, storage or  
4           transportation but does not affect any deduction for such chemicals that is  
5           otherwise provided by this Code. Chemicals meeting the requirements of  
6           this subsection are deemed not to be expendable under subsection (d) of  
7           this Section.

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

16          Cleanroom:

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

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1 (B) does not include the building or other permanent, nonremovable  
2 component of the building that houses the cleanroom  
3 environment.

4 (17) machinery and equipment that are purchased by or on behalf of the  
5 owners of a soundstage complex and primarily used for motion picture,  
6 multimedia or interactive video production in the complex. This paragraph  
7 applies only if the initial construction of the soundstage complex begins  
8 after June 30, 1996 and before January 1, 2002 and the machinery and  
9 equipment are purchased before the expiration of five years after the start  
10 of initial construction. For purposes of this paragraph:

11 (A) "motion picture, multimedia or interactive video production"  
12 includes products for theatrical and television release, educational  
13 presentations, electronic retailing, documentaries, music videos,  
14 industrial films, cd-rom, video game production, commercial  
15 advertising and television episode production and other genres  
16 that are introduced through developing technology.

17 (B) "soundstage complex" means a facility of multiple stages including  
18 production offices, construction shops and related areas, prop and  
19 costume shops, storage areas, parking for production vehicles  
20 and areas that are leased to businesses that complement the  
21 production needs and orientation of the overall facility.

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

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1 (A) any direct broadcast satellite television or data transmission  
2 service that operates pursuant to 47 Code of Federal Regulations  
3 parts 25 and 100.

4 (B) any satellite television or data transmission facility, if both of the  
5 following conditions are met:

6 (i) over two-thirds of the transmissions, measured in  
7 megabytes, transmitted by the facility during the test period  
8 were transmitted to or on behalf of one or more direct  
9 broadcast satellite television or data transmission services  
10 that operate pursuant to 47 Code of Federal Regulations  
11 parts 25 and 100.

12 (ii) over two-thirds of the transmissions, measured in  
13 megabytes, transmitted by or on behalf of those direct  
14 broadcast television or data transmission services during  
15 the test period were transmitted by the facility to or on  
16 behalf of those services.

17 For purposes of subdivision (B) of this paragraph, "test period"  
18 means the three hundred sixty-five day period beginning on the  
19 later of the date on which the tangible personal property is  
20 purchased or the date on which the direct broadcast satellite  
21 television or data transmission service first transmits information  
22 to its customers.

23 (19) machinery and equipment that is used directly in the feeding of poultry,  
24 the environmental control of housing for poultry, the movement of eggs  
25 within a production and packaging facility or the sorting or cooling of

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1           eggs. This exemption does not apply to vehicles used for transporting  
2           eggs.

3           (20) machinery or equipment, including related structural components, that is  
4           employed in connection with manufacturing, processing, fabricating, job  
5           printing, refining, mining, natural gas pipelines, metallurgical operations,  
6           telecommunications, producing or transmitting electricity or research and  
7           development that is used directly to meet or exceed rules or regulations  
8           adopted by the Federal Energy Regulatory Commission, the United  
9           States Environmental Protection Agency, the United States Nuclear  
10          Regulatory Commission, the Arizona Department of Environmental  
11          Quality or a political subdivision of this state to prevent, monitor, control or  
12          reduce land, water or air pollution.

13          (21) machinery or equipment that enables a television station to originate and  
14          broadcast or to receive and broadcast digital television signals and that  
15          was purchased to facilitate compliance with the Telecommunications Act  
16          of 1996 (P.L. 104-104; 110 Stat. 56; 47 United States Code Section 336)  
17          and the Federal Communications Commission Order issued April 21,  
18          1997, 47 Code of Federal Regulations Part 73. This paragraph does not  
19          exempt any of the following:

20           (A)    repair or replacement parts purchased for the machinery or  
21           equipment described in this paragraph.

22           (B)    machinery or equipment purchased to replace machinery or  
23           equipment for which an exemption was previously claimed and  
24           taken under this paragraph.

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1 (C) any machinery or equipment purchased after the television station  
2 has ceased analog broadcasting, or purchased after November 1,  
3 2009, whichever occurs first.

4 (b) The term "income-producing capital equipment" shall further include ancillary  
5 machinery and equipment used for the treatment of waste products created by  
6 the business activities which are allowed to purchase "income-producing capital  
7 equipment" defined in subsection (a) above.

8 (c) The term "income-producing capital equipment" shall further include repair and  
9 replacement parts, other than the items in subsection (d) below, where the  
10 property is acquired to become an integral part of another item itemized in  
11 subsections (a) or (b) above.

12 (d) The tangible personal property defined as income-producing capital equipment in  
13 this Section shall not include:

- 14 (1) expendable materials. For purposes of this paragraph, expendable  
15 materials do not include any of the categories of tangible personal  
16 property specified in subsections (a), (b) or (c) of this Section regardless  
17 of the cost or useful life of that property.
- 18 (2) janitorial equipment and hand tools.
- 19 (3) office equipment, furniture, and supplies.
- 20 (4) tangible personal property used in selling or distributing activities.
- 21 (5) motor vehicles required to be licensed by the State of Arizona, except  
22 buses or other urban mass transit vehicles specifically exempted  
23 pursuant to subsection (a)(10) above without regard to the use of such  
24 motor vehicles.

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- 1 (6) shops, buildings, docks, depots, and all other materials of whatever kind
- 2 or character not specifically included as exempt.
- 3 (7) motors and pumps used in drip irrigation systems.
- 4 (8) (Reserved)

5 (e) For the purposes of this Section:

- 6 (1) "aircraft" includes:
  - 7 (A) an airplane flight simulator that is approved by the Federal
  - 8 Aviation Administration for use as a Phase II or higher flight
  - 9 simulator under Appendix H, 14 Code of Federal Regulations Part
  - 10 121.
  - 11 (B) tangible personal property that is permanently affixed or attached
  - 12 as a component part of an aircraft that is owned or operated by a
  - 13 certificated or licensed carrier of persons or property.
- 14 (2) "other accessories and related equipment" includes aircraft accessories
- 15 and equipment such as ground service equipment that physically contact
- 16 aircraft at some point during the overall carrier operation.

17  
18 **Section II. Model City Tax Code Section 410 is amended as follows with the following**  
19 **effective dates per subsection: (b)(6) January 1, 2018; (b)(7) January 1, 2010; (b)(8)**  
20 **August 6, 2016; (b)(9) January 1, 2019.**

21  
22 **Sec. \_\_\_-410. Amusements, exhibitions, and similar activities.**

- 23 (a) The tax rate shall be at an amount equal to \_\_\_\_\_ percent (\_\_\_%) of the gross
- 24 income from the business activity upon every person engaging or continuing in

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1 the business of providing amusement that begins in the city or takes place  
2 entirely within the City, which includes the following type or nature of businesses:

3 (1) operating or conducting theaters, movies, operas, shows of any type or  
4 nature, exhibitions, concerts, carnivals, circuses, amusement parks,  
5 menageries, fairs, races, contests, games, billiard or pool parlors, bowling  
6 alleys, skating rinks, tennis courts, golf courses, video games, pinball  
7 machines, public dances, dance halls, sports events, jukeboxes, batting  
8 and driving ranges, animal rides, or any other business charging  
9 admission for exhibition, amusement, or entertainment.

10 (2) (Reserved)

11 **++(Local Option #H:**

12 (2) health spas, fitness centers, dance studios, or other persons who charge  
13 for the use of premises for sports, athletic, other health-related activities  
14 or instruction, whether on a per-event use, or for long-term usage, such  
15 as membership fees.)++

16 (b) Deductions or exemptions. The gross proceeds of sales or gross income derived  
17 from the following sources is exempt from the tax imposed by this Section:

18 (1) (Reserved)

19 **++(Local Option #J:**

- 20 (1) Income from golf green fees.)++
- 21 (2) Amounts retained by the Arizona Exposition and State Fair Board from  
22 ride ticket sales at the annual Arizona State Fair.
- 23 (3) Income received from a hotel business subject to tax under Section \_\_\_-  
24 444, if all of the following apply:

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- 1 (A) The hotel business receives gross income from a customer for the  
2 specific business activity otherwise subject to amusement tax.  
3 (B) The consideration received by the hotel business is equal to or  
4 greater than the amount to be deducted under this subsection.  
5 (C) The hotel business has provided an exemption certificate to the  
6 person engaging in business under this Section.

7 (4) Income that is specifically included as the gross income of a business  
8 activity upon which another Section of this Article imposes a tax, that is  
9 separately stated to the customer and is taxable to the person engaged in  
10 that classification not to exceed consideration paid to the person  
11 conducting the activity.

12 (5) Income from arranging transportation connected to amusement activity  
13 that is separately stated to the customer, not to exceed consideration paid  
14 to the transportation business.

15 (6) EXHIBITION EVENTS IN THIS STATE SPONSORED, CONDUCTED OR  
16 OPERATED BY A NONPROFIT ORGANIZATION THAT IS EXEMPT  
17 FROM TAXATION UNDER SECTION 501(C)(3), 501(C)(4) OR 501(C)(6)  
18 OF THE INTERNAL REVENUE CODE IF THE ORGANIZATION IS  
19 ASSOCIATED WITH A MAJOR LEAGUE BASEBALL TEAM OR A  
20 NATIONAL TOURING PROFESSIONAL GOLFING ASSOCIATION AND  
21 NO PART OF THE ORGANIZATION'S NET EARNINGS INURES TO  
22 THE BENEFIT OF ANY PRIVATE SHAREHOLDER OR INDIVIDUAL.  
23 THIS PARAGRAPH DOES NOT APPLY TO AN ORGANIZATION THAT  
24 IS OWNED, MANAGED OR CONTROLLED, IN WHOLE OR IN PART,  
25 BY A MAJOR LEAGUE BASEBALL TEAM, OR ITS OWNERS.

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1 OFFICERS, EMPLOYEES OR AGENTS, OR BY A MAJOR LEAGUE  
2 BASEBALL ASSOCIATION OR PROFESSIONAL GOLFING  
3 ASSOCIATION, OR ITS OWNERS, OFFICERS, EMPLOYEES OR  
4 AGENTS, UNLESS THE ORGANIZATION CONDUCTED OR  
5 OPERATED EXHIBITION EVENTS IN THIS STATE BEFORE JANUARY  
6 1, 2018 THAT WERE EXEMPT FROM STATE TRANSACTION  
7 PRIVILEGE TAX UNDER A.R.S. SECTION 42-5073.

8 (7) UNTIL MARCH 1, 2017, THE GROSS PROCEEDS OF SALES OR  
9 GROSS INCOME DERIVED FROM ENTRY FEES PAID BY  
10 PARTICIPANTS FOR EVENTS THAT CONSIST OF A RUN, WALK,  
11 SWIM OR BICYCLE RIDE OR A SIMILAR EVENT, OR ANY  
12 COMBINATION OF THESE EVENTS.

13 (8) THE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED  
14 FROM ENTRY FEES PAID BY PARTICIPANTS FOR EVENTS THAT  
15 ARE OPERATED OR CONDUCTED BY NONPROFIT ORGANIZATIONS  
16 THAT ARE EXEMPT FROM TAXATION UNDER SECTION 501(c)(3) OF  
17 THE INTERNAL REVENUE CODE AND OF WHICH NO PART OF THE  
18 ORGANIZATION'S NET EARNINGS INURES TO THE BENEFIT OF  
19 ANY PRIVATE SHAREHOLDER OR INDIVIDUAL, IF THE EVENT  
20 CONSISTS OF A RUN, WALK, SWIM OR BICYCLE RIDE OR A  
21 SIMILAR EVENT, OR ANY COMBINATION OF THESE EVENTS.

22 (9) (RESERVED)

23 **++(Local Option #H:**

24 (9) INCOME FROM SEPARATELY CHARGED INDIVIDUAL INSTRUCTION.  
25 FOR THE PURPOSES OF THIS PARAGRAPH "INDIVIDUAL

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1 INSTRUCTION" MEANS EXCLUSIVE PERSONAL ATTENTION OF THE  
2 PROVIDER FOR THE ENTIRE DURATION OF THE SEPARATELY  
3 CHARGED PERIOD OF INSTRUCTION, TRAINING, COACHING, OR  
4 SIMILAR ACTIVITY.)++

- 5 (c) The tax imposed by this Section shall not include arranging an amusement  
6 activity as a service to a person's customers if that person is not otherwise  
7 engaged in the business of operating or conducting an amusement themselves  
8 or through others. This exception does not apply to businesses that operate or  
9 conduct amusements pursuant to customer orders and send the billings and  
10 receive the payments associated with that activity, including when the  
11 amusement is performed by third party independent contractors. For the  
12 purposes of this paragraph, "arranging" includes billing for or collecting  
13 amusement charges from a person's customers on behalf of the persons  
14 providing the amusement.

15  
16 **Section III. Model City Tax Code Section 415 is amended as follows, with an effective**  
17 **date of January 1, 2015.**

18  
19 **Sec. \_\_\_-415. Construction contracting: construction contractors.**

- 20 (a) The tax rate shall be at an amount equal to \_\_\_\_\_ percent (\_\_\_%) of the gross  
21 income from the business upon every construction contractor engaging or  
22 continuing in the business activity of construction contracting within the City.
- 23 (1) However, gross income from construction contracting shall not include  
24 charges related to groundwater measuring devices required by A.R.S.  
25 Section 45-604.

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1 (2) (Reserved)

2 **++(Local Option #K:**

3 (2) However, gross income from the business activity of construction shall  
4 not include construction contracting derived from construction contracting  
5 activity occurring at Fort Huachuca.)++

6 (3) gross income from construction contracting shall not include gross  
7 income from the sale of manufactured buildings taxable under Section  
8 \_\_\_-427.

9 (4) For taxable periods beginning from and after July 1, 2008, the portion of  
10 gross proceeds of sales or gross income attributable to the actual direct  
11 costs of providing architectural or engineering services that are  
12 incorporated in a contract is not subject to tax under this Section. For the  
13 purposes of this subsection, "direct costs" means the portion of the actual  
14 costs that are directly expended in providing architectural or engineering  
15 services.

16 (5) HANDYMAN EXCLUSION. THIS CLASSIFICATION DOES NOT  
17 INCLUDE GROSS INCOME FROM ANY WORK OR OPERATION  
18 PERFORMED BY A PERSON THAT IS NOT REQUIRED TO BE  
19 LICENSED BY THE REGISTRAR OF CONTRACTORS PURSUANT TO  
20 A.R.S. SECTION 32-1121.

21 (b) Deductions and exemptions.

22 (1) Gross income derived from acting as a "subcontractor" shall be exempt  
23 from the tax imposed by this Section.

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- 1 (2) All construction contracting gross income subject to the tax and not  
2 deductible herein shall be allowed a deduction of thirty-five percent  
3 (35%).
- 4 (3) The gross proceeds of sales or gross income attributable to the purchase  
5 of machinery, equipment or other tangible personal property that is  
6 exempt from or deductible from privilege or use tax under:
- 7 (A) Section \_\_\_-465, subsections (g) and (p)  
8 (B) Section \_\_\_-660, subsections (g) and (p)

9 **\*\*(Model Option #15:**

10 (B) (Reserved)\*\*

11 shall be exempt or deductible, respectively, from the tax imposed by this  
12 Section.

- 13 (4) The gross proceeds of sales or gross income that is derived from a  
14 contract entered into for the installation, assembly, repair or maintenance  
15 of income-producing capital equipment, as defined in Section \_\_\_-110,  
16 that is deducted from the retail classification pursuant to Section \_\_\_ -  
17 465(g), that does not become a permanent attachment to a building,  
18 highway, road, railroad, excavation or manufactured building or other  
19 structure, project, development or improvement shall be exempt from the  
20 tax imposed by this Section. If the ownership of the realty is separate  
21 from the ownership of the income-producing capital equipment, the  
22 determination as to permanent attachment shall be made as if the  
23 ownership was the same. The deduction provided in this paragraph does  
24 not include gross proceeds of sales or gross income from that portion of  
25 any contracting activity which consists of the development of, or

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1 modification to, real property in order to facilitate the installation,  
2 assembly, repair, maintenance or removal of the income-producing  
3 capital equipment. For purposes of this paragraph, "permanent  
4 attachment" means at least one of the following:

- 5 (A) to be incorporated into real property.
- 6 (B) to become so affixed to real property that it becomes part of the  
7 real property.
- 8 (C) to be so attached to real property that removal would cause  
9 substantial damage to the real property from which it is removed.

10 (5) The gross proceeds of sales or gross income received from a contract for  
11 the construction of an environmentally controlled facility for the raising of  
12 poultry for the production of eggs and the sorting, or cooling and  
13 packaging of eggs shall be exempt from the tax imposed under this  
14 Section.

15 (6) The gross proceeds of sales or gross income that is derived from the  
16 installation, assembly, repair or maintenance of cleanrooms that are  
17 deducted from the tax base of the retail classification pursuant to Section  
18 \_\_\_-465, subsection (g) shall be exempt from the tax imposed under this  
19 Section.

20 (7) The gross proceeds of sales or gross income that is derived from a  
21 contract entered into with a person who is engaged in the commercial  
22 production of livestock, livestock products or agricultural, horticultural,  
23 viticultural or floricultural crops or products in this State for the  
24 construction, alteration, repair, improvement, movement, wrecking or  
25 demolition or addition to or subtraction from any building, highway, road,

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1 excavation, manufactured building or other structure, project,  
2 development or improvement used directly and primarily to prevent,  
3 monitor, control or reduce air, water or land pollution shall be exempt from  
4 the tax imposed under this Section.

5 (8) The gross proceeds of sales or gross income received from a post  
6 construction contract to perform post-construction treatment of real  
7 property for termite and general pest control, including wood destroying  
8 organisms, shall be exempt from tax imposed under this Section.

9 (9) Through December 31, 2009, the gross proceeds of sales or gross  
10 income received from a contract for constructing any lake facility  
11 development in a commercial enhancement reuse district that is  
12 designated pursuant to A.R.S. ~~SECTION~~ 9-499.08 if the contractor  
13 maintains the following records in a form satisfactory to the Arizona  
14 Department of Revenue and to the City:

15 (A) The certificate of qualification of the lake facility development  
16 issued by the City pursuant to A.R.S. ~~SECTION~~ 9-499.08,  
17 subsection D.

18 (B) All state and local transaction privilege tax returns for the period of  
19 time during which the contractor received gross proceeds of sales  
20 or gross income from a contract to construct a lake facility  
21 development in a designated commercial enhancement reuse  
22 district, showing the amount exempted from state and local  
23 taxation.

24 (C) Any other information considered to be necessary.

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- 1 (10) Any amount attributable to development fees that are incurred in relation  
2 to the construction, development or improvement of real property and  
3 paid by the taxpayer as defined in the model city tax code or by a  
4 contractor providing services to the taxpayer. For the purposes of this  
5 paragraph:
- 6 (A) the attributable amount shall not exceed the value of the  
7 development fees actually imposed.
- 8 (B) the attributable amount is equal to the total amount of  
9 development fees paid by the taxpayer or by a contractor  
10 providing services to the taxpayer and the total development fees  
11 credited in exchange for the construction of, contribution to or  
12 dedication of real property for providing public infrastructure,  
13 public safety or other public services necessary to the  
14 development. The real property must be the subject of the  
15 development fees.
- 16 (C) "development fees" means fees imposed to offset capital costs of  
17 providing public infrastructure, public safety or other public  
18 services to a development and authorized pursuant to A.R.S.  
19 Section 9-463.05, A.R.S. Section 11-1102 or A.R.S. Title 48  
20 regardless of the jurisdiction to which the fees are paid.
- 21 (11) For taxable periods beginning from and after July 1, 2008 and ending  
22 before January 1, 2017, the gross proceeds of sales or gross income  
23 derived from a contract to provide and install a solar energy device. The  
24 contractor shall register with the department of revenue as a solar energy  
25 contractor. By registering, the contractor acknowledges that it will make

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1 its books and records relating to sales of solar energy devices available to  
2 the department of revenue and the city, as applicable, for examination.

3 (12) THE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED  
4 FROM A CONTRACT WITH THE OWNER OF REAL PROPERTY OR  
5 IMPROVEMENTS TO REAL PROPERTY FOR THE MAINTENANCE,  
6 REPAIR, REPLACEMENT OR ALTERATION OF EXISTING PROPERTY  
7 IS NOT SUBJECT TO TAX UNDER THIS SECTION IF THE CONTRACT  
8 DOES NOT INCLUDE MODIFICATION ACTIVITIES, EXCEPT AS  
9 SPECIFIED IN THIS PARAGRAPH. THE GROSS PROCEEDS OF  
10 SALES OR GROSS INCOME DERIVED FROM A DE MINIMIS AMOUNT  
11 OF MODIFICATION ACTIVITY DOES NOT SUBJECT THE CONTRACT  
12 OR ANY PART OF THE CONTRACT TO TAX UNDER THIS SECTION.  
13 FOR THE PURPOSES OF THIS PARAGRAPH:

14 (A) ANY TERM NOT DEFINED IN THIS PARAGRAPH THAT IS  
15 DEFINED IN A.R.S. SECTION 42-5075 HAS THE SAME  
16 MEANING PRESCRIBED IN A.R.S. SECTION 42-5075.

17 (B) TANGIBLE PERSONAL PROPERTY THAT IS INCORPORATED  
18 OR FABRICATED INTO A PROJECT DESCRIBED IN THIS  
19 SUBSECTION MAY BE SUBJECT TO THE AMOUNT  
20 PRESCRIBED IN SECTION 415.1.

21 (C) EACH CONTRACT IS INDEPENDENT OF ANY OTHER  
22 CONTRACT, EXCEPT THAT ANY CHANGE ORDER THAT  
23 DIRECTLY RELATES TO THE SCOPE OF WORK OF THE  
24 ORIGINAL CONTRACT SHALL BE TREATED THE SAME AS  
25 THE ORIGINAL CONTRACT UNDER THIS CHAPTER.

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1                   REGARDLESS OF THE AMOUNT OF MODIFICATION  
2                   ACTIVITIES INCLUDED IN THE CHANGE ORDER. IF A  
3                   CHANGE ORDER DOES NOT DIRECTLY RELATE TO THE  
4                   SCOPE OF WORK OF THE ORIGINAL CONTRACT, THE  
5                   CHANGE ORDER SHALL BE TREATED AS A NEW CONTRACT,  
6                   WITH THE TAX TREATMENT OF ANY SUBSEQUENT CHANGE  
7                   ORDER TO FOLLOW THE TAX TREATMENT OF THE  
8                   CONTRACT TO WHICH THE SCOPE OF WORK OF THE  
9                   SUBSEQUENT CHANGE ORDER DIRECTLY RELATES.

10                  (D) THIS PARAGRAPH DOES NOT APPLY TO A CONTRACT THAT  
11                  PRIMARILY INVOLVES SURFACE OR SUBSURFACE  
12                  IMPROVEMENTS TO LAND AND THAT IS SUBJECT TO A.R.S.  
13                  TITLE 28, CHAPTER 19, 20 OR 22 OR A.R.S. TITLE 34,  
14                  CHAPTER 2 OR 6 EVEN IF THE CONTRACT ALSO INCLUDES  
15                  VERTICAL IMPROVEMENTS. IF A CITY OR TOWN IMPOSES A  
16                  TAX ON CONTRACTS THAT ARE SUBJECT TO  
17                  PROCUREMENT PROCESSES UNDER THOSE PROVISIONS,  
18                  THE CITY OR TOWN SHALL INCLUDE IN THE REQUEST FOR  
19                  PROPOSALS A NOTICE TO BIDDERS WHEN THOSE  
20                  PROJECTS ARE SUBJECT TO THE TAX. THIS SUBDIVISION  
21                  DOES NOT APPLY TO CONTRACTS WITH:

22                  (i) COMMUNITY FACILITIES DISTRICTS, FIRE DISTRICTS,  
23                        COUNTY TELEVISION IMPROVEMENT DISTRICTS,  
24                        COMMUNITY PARK MAINTENANCE DISTRICTS,  
25                        COTTON PEST CONTROL DISTRICTS, HOSPITAL

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1 DISTRICTS, PEST ABATEMENT DISTRICTS, HEALTH  
2 SERVICE DISTRICTS, AGRICULTURAL IMPROVEMENT  
3 DISTRICTS, COUNTY FREE LIBRARY DISTRICTS,  
4 COUNTY JAIL DISTRICTS, COUNTY STADIUM  
5 DISTRICTS, SPECIAL HEALTH CARE DISTRICTS,  
6 PUBLIC HEALTH SERVICES DISTRICTS, THEME PARK  
7 DISTRICTS, REGIONAL ATTRACTION DISTRICTS OR  
8 REVITALIZATION DISTRICTS.

9 (ii) ANY SPECIAL TAXING DISTRICT NOT SPECIFIED IN  
10 ITEM (i) OF THIS SUBDIVISION IF THE DISTRICT DOES  
11 NOT SUBSTANTIALLY ENGAGE IN THE  
12 MODIFICATION, MAINTENANCE, REPAIR,  
13 REPLACEMENT OR ALTERATION OF SURFACE OR  
14 SUBSURFACE IMPROVEMENTS TO LAND.

15 (13) THE GROSS PROCEEDS OF SALES OR GROSS INCOME DERIVED  
16 FROM A CONTRACT ENTERED INTO FOR THE CONSTRUCTION OF  
17 A MIXED WASTE PROCESSING FACILITY THAT IS LOCATED ON A  
18 MUNICIPAL SOLID WASTE LANDFILL AND THAT IS CONSTRUCTED  
19 FOR THE PURPOSE OF RECYCLING SOLID WASTE OR PRODUCING  
20 RENEWABLE ENERGY FROM LANDFILL WASTE. FOR THE  
21 PURPOSES OF THIS PARAGRAPH:

22 (A) "MIXED WASTE PROCESSING FACILITY" MEANS A SOLID  
23 WASTE FACILITY THAT IS OWNED, OPERATED OR USED  
24 FOR THE TREATMENT, PROCESSING OR DISPOSAL OF  
25 SOLID WASTE, RECYCLABLE SOLID WASTE,

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1 CONDITIONALLY EXEMPT SMALL QUANTITY GENERATOR  
2 WASTE OR HOUSEHOLD HAZARDOUS WASTE. FOR THE  
3 PURPOSES OF THIS SUBDIVISION, "CONDITIONALLY  
4 EXEMPT SMALL QUANTITY GENERATOR WASTE",  
5 "HOUSEHOLD HAZARDOUS WASTE" AND "SOLID WASTE  
6 FACILITY" HAVE THE SAME MEANINGS PRESCRIBED IN  
7 A.R.S. SECTION 49-701, EXCEPT THAT SOLID WASTE  
8 FACILITY DOES INCLUDE A SITE THAT STORES, TREATS OR  
9 PROCESSES PAPER, GLASS, WOOD, CARDBOARD,  
10 HOUSEHOLD TEXTILES, SCRAP METAL, PLASTIC,  
11 VEGETATIVE WASTE, ALUMINUM, STEEL OR OTHER  
12 RECYCLABLE MATERIAL.

13 (B) "MUNICIPAL SOLID WASTE LANDFILL" HAS THE SAME  
14 MEANING PRESCRIBED IN A.R.S. SECTION 49-701.

15 (C) "RECYCLING" MEANS COLLECTING, SEPARATING,  
16 CLEANSING, TREATING AND RECONSTITUTING  
17 RECYCLABLE SOLID WASTE THAT WOULD OTHERWISE  
18 BECOME SOLID WASTE, BUT DOES NOT INCLUDE  
19 INCINERATION OR OTHER SIMILAR PROCESSES.

20 (D) "RENEWABLE ENERGY" HAS THE SAME MEANING  
21 PRESCRIBED IN A.R.S. SECTION 41-1511.

22 (c) "Subcontractor" means a construction contractor performing work for either:

- 23 (1) a construction contractor who has provided the subcontractor with a  
24 written declaration that he is liable for the tax for the project and has  
25 provided the subcontractor his City Privilege License number.

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- 1 (2) an owner-builder who has provided the subcontractor with a written  
2 declaration that:  
3 (A) the owner-builder is improving the property for sale; and  
4 (B) the owner-builder is liable for the tax for such construction  
5 contracting activity; and  
6 (C) the owner-builder has provided the contractor his City Privilege  
7 License number.  
8 (3) a person selling new manufactured buildings who has provided the  
9 subcontractor with a written declaration that he is liable for the tax for the  
10 site preparation and set-up; and provided the subcontractor his City  
11 Privilege License number.  
12 Subcontractor also includes a construction contractor performing work for  
13 another subcontractor as defined above.  
14

15 **Section IV. Model City Tax Code Section 415.1 is adopted as follows, with an effective**  
16 **date of January 1, 2015.**  
17

18 **Sec. -415.1. Liability for MRRA amounts equal to Retail transaction privilege tax due.**

- 19 **A. A PERSON THAT IS EITHER A PRIME CONTRACTOR SUBJECT TO TAX**  
20 **UNDER SECTION -415 OR A SUBCONTRACTOR WORKING UNDER THE**  
21 **CONTROL OF SUCH A PRIME CONTRACTOR, THAT PURCHASES**  
22 **TANGIBLE PERSONAL PROPERTY, THE PURCHASE PRICE OF WHICH**  
23 **WAS EXCLUDED FROM THE TAX BASE UNDER THE RETAIL**  
24 **CLASSIFICATION UNDER SECTION -465(K) OR WAS EXCLUDED FROM**  
25 **THE USE TAX UNDER SECTION -660(K) AT THE TIME OF PURCHASE.**

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1 AND THAT INCORPORATES OR FABRICATES THE TANGIBLE PERSONAL  
2 PROPERTY INTO A PROJECT DESCRIBED IN SECTION -415(B)(12) AND  
3 A.R.S. SECTION 42-5075, SUBSECTION O IS LIABLE FOR AN AMOUNT  
4 EQUAL TO ANY TAX THAT A SELLER WOULD HAVE BEEN REQUIRED TO  
5 PAY UNDER SECTION -460 AND A.R.S. TITLE 42, CHAPTER 5 AS  
6 FOLLOWS:

- 7 1. THE AMOUNT OF LIABILITY SHALL BE CALCULATED AND  
8 REPORTED BASED ON THE LOCATION OF THE PROJECT AND THE  
9 TAXES IMPOSED UNDER SECTION -460 AND A.R.S. TITLE 42,  
10 CHAPTER 5.
- 11 2. ALL DEDUCTIONS, EXEMPTIONS AND EXCLUSIONS FOR THE COST  
12 OF TANGIBLE PERSONAL PROPERTY PROVIDED IN SECTION -  
13 415 APPLY TO THE TANGIBLE PERSONAL PROPERTY  
14 INCORPORATED OR FABRICATED INTO THE PROJECT.
- 15 3. THIS SUBSECTION DOES NOT APPLY TO TANGIBLE PERSONAL  
16 PROPERTY THAT IS INCORPORATED OR FABRICATED INTO ANY  
17 PROJECT UNDER A CONTRACT THAT WOULD OTHERWISE BE  
18 EXCLUDED FROM THE TAX BASE UNDER SECTION -415,  
19 WITHOUT REGARD TO SECTION -415(B)(12).
- 20 4. THE AMOUNT OF LIABILITY SHALL BE REPORTED WITHIN THE  
21 REPORTING PERIOD THAT INCLUDES THE MONTH IN WHICH THE  
22 PERSON INCORPORATES OR FABRICATES THE TANGIBLE  
23 PERSONAL PROPERTY INTO THE PROJECT.
- 24 5. THE PERSON IS NOT LIABLE FOR THE AMOUNT IF THE  
25 CONTRACTOR WHO HIRED THE PERSON EXECUTES AND

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1 PROVIDES TO THE PERSON A CERTIFICATE STATING THAT THE  
2 CONTRACTOR PROVIDING THE CERTIFICATE IS LIABLE FOR ANY  
3 AMOUNT DUE UNDER THIS SUBSECTION. THE DEPARTMENT OF  
4 REVENUE SHALL PRESCRIBE THE FORM OF THE CERTIFICATE. IF  
5 THE PERSON HAS REASON TO BELIEVE THAT THE INFORMATION  
6 CONTAINED ON THE CERTIFICATE IS ERRONEOUS OR  
7 INCOMPLETE, THE CITY MAY DISREGARD THE CERTIFICATE. THE  
8 CONTRACTOR PROVIDING THE CERTIFICATE IS LIABLE FOR THE  
9 AMOUNT THAT OTHERWISE WOULD BE DUE FROM THE PERSON  
10 UNDER THIS SUBSECTION.

11 B. A PERSON THAT PURCHASED TANGIBLE PERSONAL PROPERTY, THE  
12 PURCHASE PRICE OF WHICH WAS EXCLUDED FROM THE TAX BASE  
13 UNDER SECTION \_\_\_-465(K) OR WAS EXCLUDED FROM THE USE TAX  
14 UNDER SECTION \_\_\_-660(K) AT THE TIME OF PURCHASE, WHOSE  
15 TRANSACTION PRIVILEGE TAX LICENSE HAS BEEN CANCELED AND THAT  
16 SUBSEQUENTLY USES, CONSUMES, SELLS OR DISCARDS THE TANGIBLE  
17 PERSONAL PROPERTY IS LIABLE FOR AN AMOUNT OF TAX DETERMINED  
18 UNDER THIS SUBSECTION. FOR THE PURPOSES OF THIS SUBSECTION:

19 1. IF THE TANGIBLE PERSONAL PROPERTY IS INCORPORATED OR  
20 FABRICATED INTO A PROJECT DESCRIBED IN SECTION \_\_\_ -  
21 415(B)(12) AND A.R.S. SECTION 42-5075, SUBSECTION O, OR  
22 OTHERWISE USED OR CONSUMED BY THE PERSON, THE AMOUNT  
23 OF LIABILITY SHALL BE CALCULATED AND REPORTED BASED ON  
24 THE PERSON'S PURCHASE PRICE OF THE TANGIBLE PERSONAL  
25 PROPERTY, THE LOCATION OF THE PROJECT, USE OR

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1           CONSUMPTION AND THE TAXES IMPOSED UNDER SECTION \_\_\_\_ -  
2           460 AND A.R.S. TITLE 42, CHAPTER 5.

3           2. IF THE TANGIBLE PERSONAL PROPERTY IS SOLD IN A MANNER  
4           THAT IS NOT SUBJECT TO TAX UNDER THIS CHAPTER OR IS  
5           DISCARDED, THE AMOUNT SHALL BE CALCULATED AND  
6           REPORTED BASED ON THE PAYMENT RECEIVED BY THE PERSON,  
7           THE LOCATION OF THE PERSON'S PRINCIPAL PLACE OF  
8           BUSINESS IN THIS STATE AND THE TAXES IMPOSED UNDER  
9           SECTION \_\_\_\_ -460 AND A.R.S. TITLE 42, CHAPTER 5.

10          3. THE PERSON IS NOT LIABLE UNDER THIS SUBSECTION FOR ANY  
11          AMOUNT IF THE PERSON DISCARDS THE TANGIBLE PERSONAL  
12          PROPERTY AND DOES NOT RECEIVE PAYMENT OF ANY KIND.

13          4. THE AMOUNT OF LIABILITY SHALL BE REPORTED ON OR BEFORE  
14          THE BUSINESS DAY PRECEDING THE LAST BUSINESS DAY OF THE  
15          MONTH FOLLOWING THE MONTH IN WHICH THE PERSON USES  
16          THE TANGIBLE PERSONAL PROPERTY IN A MANNER DESCRIBED  
17          IN PARAGRAPH 1 OR 2 OF THIS SUBSECTION. NO AMOUNT IS DUE  
18          UNDER THIS SUBSECTION AT ANY TIME THAT THE PERSON  
19          STORES THE TANGIBLE PERSONAL PROPERTY WITHOUT USING IT  
20          IN A MANNER DESCRIBED IN PARAGRAPH 1 OR 2 OF THIS  
21          SUBSECTION.

22          5. ALL DEDUCTIONS, EXEMPTIONS AND EXCLUSIONS FOR THE COST  
23          OF TANGIBLE PERSONAL PROPERTY PROVIDED IN SECTION \_\_\_\_ -  
24          415 APPLY TO THE TANGIBLE PERSONAL PROPERTY  
25          INCORPORATED OR FABRICATED INTO A PROJECT DESCRIBED IN

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1           SECTION     -415(B)(12) AND A.R.S. SECTION 42-5075,

2           SUBSECTION O.

3           6. THIS SUBSECTION DOES NOT APPLY TO TANGIBLE PERSONAL  
4           PROPERTY THAT IS INCORPORATED OR FABRICATED INTO ANY  
5           PROJECT UNDER A CONTRACT THAT WOULD OTHERWISE BE  
6           EXCLUDED FROM THE TAX BASE UNDER SECTION     -415 AND  
7           A.R.S. SECTION 42-5075, WITHOUT REGARD TO SECTION     -  
8           415(B)(12) AND A.R.S. SECTION 42-5075, SUBSECTION O.

9           7. THE PERSON IS NOT LIABLE FOR THE AMOUNT IF THE  
10           CONTRACTOR WHO HIRED THE PERSON EXECUTES AND  
11           PROVIDES TO THE PERSON A CERTIFICATE STATING THAT THE  
12           CONTRACTOR PROVIDING THE CERTIFICATE IS LIABLE FOR ANY  
13           AMOUNT DUE UNDER THIS SUBSECTION FOR TANGIBLE  
14           PERSONAL PROPERTY INCORPORATED OR FABRICATED INTO A  
15           PROJECT DESCRIBED IN A.R.S. SECTION 42-5075, SUBSECTION O.  
16           THE DEPARTMENT SHALL PRESCRIBE THE FORM OF THE  
17           CERTIFICATE. IF THE PERSON HAS REASON TO BELIEVE THAT  
18           THE INFORMATION CONTAINED ON THE CERTIFICATE IS  
19           ERRONEOUS OR INCOMPLETE, THE DEPARTMENT MAY  
20           DISREGARD THE CERTIFICATE. THE CONTRACTOR PROVIDING  
21           THE CERTIFICATE IS LIABLE FOR THE AMOUNT THAT OTHERWISE  
22           WOULD BE DUE FROM THE PERSON UNDER THIS SUBSECTION.

23           C. A PERSON THAT FAILS TO REPORT OR PAY ANY AMOUNT DUE UNDER  
24           SUBSECTION A OR B OF THIS SECTION IS LIABLE FOR INTEREST IN A

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1 MANNER CONSISTENT WITH A.R.S. SECTION 42-1123 AND PENALTIES IN  
2 A MANNER CONSISTENT WITH A.R.S. SECTION 42-1125.

3 D. IF A PERSON HAS PAID AN AMOUNT DESCRIBED IN THIS SECTION ON  
4 TANGIBLE PERSONAL PROPERTY THAT THE PERSON REASONABLY  
5 BELIEVED TO BE DESCRIBED UNDER SECTION 42-415(B)(12) AND A.R.S.  
6 SECTION 42-5075, SUBSECTION O AND A FINAL DETERMINATION IS MADE  
7 THAT SECTION 42-415(B)(12) AND A.R.S. SECTION 42-5075, SUBSECTION  
8 O DOES NOT APPLY, THE PERSON IS ENTITLED TO AN OFFSET FOR THE  
9 AMOUNT PAID UNDER THIS SECTION AGAINST THE AMOUNT OF TAX  
10 LIABILITY ASSESSED UNDER THIS CHAPTER.

11  
12 **Section V. Model City Tax Code Section 422 is amended as follows, with an effective**  
13 **date of December 1, 2017.**

14  
15 **Sec. \_\_\_-422. (Reserved)**

16 **++(Local Option #LL:**

17 **Sec. \_\_\_-422. Jet fuel sales.**

18 (a) The tax rate shall be at an amount of \_\_\_\_\_ cents per gallon sold from the  
19 business activity upon every person engaging or continuing in the business of  
20 selling jet fuel.

21 (1) Gallons sold includes all gallons sold, bartered, exchanged, included as  
22 part or whole of a trade-out, or similar transactions regardless of the type  
23 or form of payment.

24 (2) For purposes of this Section the following terms are substitutable in  
25 Articles III and V of this chapter, and corresponding regulations:

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1 (A) "gallons" for "gross income"

2 (B) "gallon(s)" for "amount(s)".

3 (b) The burden of proving that a sale of jet fuel is not a taxable sale shall be upon  
4 the person who made the sale.

5 (c) When this city and another Arizona city or town with an equivalent excise tax  
6 could claim nexus for taxing a jet fuel sale, the city or town where the permanent  
7 business location of the seller at which the order was received shall be deemed  
8 to have precedence, and for the purposes of this chapter such city or town has  
9 sole and exclusive right to such tax.

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

14 (E) THE APPLICATION OF THE TAX IS LIMITED TO AMOUNTS OF NOT MORE  
15 THAN TEN MILLION GALLONS OF JET FUEL PURCHASED BY EACH  
16 PURCHASER IN EACH CALENDAR YEAR. PURCHASES IN EXCESS OF TEN  
17 MILLION GALLONS PER PURCHASER PER YEAR ARE EXEMPT.

18 (F) BEGINNING FROM AND AFTER NOVEMBER 30, 2017, THE REVENUES  
19 GENERATED BY EACH PUBLIC AIRPORT MUST BE SEGREGATED IN  
20 SEPARATE ACCOUNTS FOR THE EXCLUSIVE EXPENDITURE FOR THE  
21 CAPITAL OR OPERATING COSTS OF THE AIRPORT. THE AIRPORT  
22 SYSTEM OR OTHER LOCAL AIRPORT FACILITIES OWNED OR OPERATED  
23 BY THE MUNICIPALITY AND DIRECTLY AND SUBSTANTIALLY RELATED TO  
24 THE AIR TRANSPORTATION OF PASSENGERS OR PROPERTY.

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1 ~~(G)~~ Exemptions. Notwithstanding Section \_\_\_-400(d), the exemptions in Section \_\_\_ -  
2 465(a), (b) and (d) through (z) will apply to sales of jet fuel taxed under this  
3 Section.)++

Deleted: (e)

4  
5 **Section VI. Model City Tax Code Section 445 is amended as follows with an effective**  
6 **date of January 1, 2018.**

7  
8 **Sec. \_\_\_-445. Rental, leasing, and licensing for use of real property.**

9 (a) The tax rate shall be at an amount equal to \_\_\_\_\_ percent (\_\_\_%) of the gross  
10 income from the business activity upon every person engaging or continuing in  
11 the business of leasing or renting real property located within the City for a  
12 consideration, to the tenant in actual possession, or the licensing for use of real  
13 property to the final licensee located within the City for a consideration including  
14 any improvements, rights, or interest in such property; provided further that:

- 15 (1) Payments made by the lessee to, or on behalf of, the lessor for property  
16 taxes, repairs, or improvements are considered to be part of the taxable  
17 gross income.  
18 (2) Charges for such items as telecommunications, utilities, pet fees, or  
19 maintenance are considered to be part of the taxable gross income.  
20 (3) However, if the lessor engages in telecommunication activity, as  
21 evidenced by installing individual metering equipment and by billing each  
22 tenant based upon actual usage, such activity is taxable under Section  
23 \_\_\_-470.

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- 1 (b) If individual utility meters have been installed for each tenant and the lessor  
2 separately charges each single tenant for the exact billing from the utility  
3 company, such charges are exempt.
- 4 (c) Charges by a qualifying hospital, qualifying community health center or a  
5 qualifying health care organization to patients of such facilities for use of rooms  
6 or other real property during the course of their treatment by such facilities are  
7 exempt.
- 8 (d) Charges for joint pole usage by a person engaged in the business of providing or  
9 furnishing utility or telecommunication services OR THAT IS A CABLE  
10 OPERATOR, OR CHARGES FOR JOINT POLE USAGE to A person engaged in  
11 the business of providing or furnishing utility or telecommunication services OR  
12 THAT IS A CABLE OPERATOR are exempt from the tax imposed by this  
13 Section. "CABLE OPERATOR" HAS THE SAME MEANING AS PRESCRIBED  
14 BY A.R.S. SECTION 9-505.
- 15 (e) Exempt from the tax imposed by this Section is gross income derived from the  
16 rental, leasing, or licensing for use of real property to a qualifying hospital,  
17 qualifying community health center or a qualifying health care organization,  
18 except when the property so rented, leased, or licensed is for use in activities  
19 resulting in gross income from unrelated business income as that term is defined  
20 in 26 U.S.C. Section 512.

Deleted: another

21 **\*\*(Model Option #4:**

- 22 (e) (Reserved) (Also See Peoria City Page)\*\*
- 23 (f) A person who has less than three (3) apartments, houses, trailer spaces, or other  
24 lodging spaces rented, leased or licensed or available for rent, lease, or license  
25 within the State and no units of commercial property for rent, lease, or license

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1 within the State, is not deemed to be in the rental business, and is therefore  
2 exempt from the tax imposed by this Section on such income. However, a person  
3 who has one (1) or more units of commercial property is subject to the tax  
4 imposed by this Section on rental, lease and license income from all such lodging  
5 spaces and commercial units of real estate even though said person may have  
6 fewer than three (3) lodging spaces.

7 **\*\* (Model Option #5A:**

8 (f) A person who has less than two (2) apartments, houses, trailer spaces, or other  
9 lodging spaces rented, leased or licensed or available for rent, lease, or license  
10 within the State and no units of commercial property for rent, lease, or license  
11 within the State, is not deemed to be in the rental business, and is therefore  
12 exempt from the tax imposed by this Section on such income. However, a person  
13 who has one (1) or more units of commercial property is subject to the tax  
14 imposed by this Section on rental, lease and license income from all such lodging  
15 spaces and commercial units of real estate even though said person may have  
16 fewer than two (2) lodging spaces.)\*\*

17 **\*\* (Model Option #5B:**

18 (f) (Reserved)\*\*  
19 (g) (Reserved)

20 **++ (Local Option #R:**

21 (g) Single-unit/single-tenant rental, leasing, or licensing. A person who has only one  
22 unit of commercial property rented or available for rent, lease, or license shall be  
23 deemed not to be in the business of rental, leasing, or licensing of real property,  
24 as provided by Regulation, and further provided that both of the following  
25 conditions exist:

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- 1 (1) such lessor has income from any other source; and
- 2 (2) the scope and degree of rental activity clearly indicates that it is an
- 3 investment rather than a business activity of the lessor.)++

4 (h) (Reserved)

5 **++(Local Option #S:**

6 (h) Except as may be provided in another Section of this Chapter, the tax prescribed  
7 by this Section shall not include gross income from the rental, leasing, or  
8 licensing of lodging or lodging space to an individual who resides therein.

9 OR

10 (h) The tax prescribed by this Section shall not include gross income from the rental,  
11 leasing, or licensing of lodging or lodging space to an individual who resides  
12 therein.)++

13 (i) (Reserved)

14 **++(Local Option #T:**

15 (i) Exempt from the tax imposed by this Section is gross income derived from the  
16 rental, leasing, or licensing of real property to a corporation; provided that the  
17 lessor's aggregate holdings in the lessee corporation amount to at least eighty  
18 percent (80%) of the voting stock of the lessee corporation.)++

19 (j) Exempt from the tax imposed by this Section is gross income derived from the  
20 activities taxable under Section \_\_\_\_-444 of this code.

21 OR

22 (j) (Reserved) (See Glendale city page)

23 (k) LEASING OR RENTING REAL PROPERTY OR THE RIGHT TO USE REAL  
24 PROPERTY AT EXHIBITION EVENTS IN THIS STATE SPONSORED,  
25 OPERATED OR CONDUCTED BY A NONPROFIT ORGANIZATION THAT IS

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1 EXEMPT FROM TAXATION UNDER SECTION 501(C)(3), 501(C)(4) OR  
2 501(C)(6) OF THE INTERNAL REVENUE CODE IF THE ORGANIZATION IS  
3 ASSOCIATED WITH MAJOR LEAGUE BASEBALL TEAMS OR A NATIONAL  
4 TOURING PROFESSIONAL GOLFING ASSOCIATION AND NO PART OF THE  
5 ORGANIZATION'S NET EARNINGS INURES TO THE BENEFIT OF ANY  
6 PRIVATE SHAREHOLDER OR INDIVIDUAL. THIS PARAGRAPH DOES NOT  
7 APPLY TO AN ORGANIZATION THAT IS OWNED, MANAGED OR  
8 CONTROLLED, IN WHOLE OR IN PART, BY A MAJOR LEAGUE BASEBALL  
9 TEAM, OR ITS OWNERS, OFFICERS, EMPLOYEES OR AGENTS, OR BY A  
10 MAJOR LEAGUE BASEBALL ASSOCIATION OR PROFESSIONAL GOLFING  
11 ASSOCIATION, OR ITS OWNERS, OFFICERS, EMPLOYEES OR AGENTS,  
12 UNLESS THE ORGANIZATION CONDUCTED OR OPERATED EXHIBITION  
13 EVENTS IN THIS STATE BEFORE JANUARY 1, 2018 THAT WERE EXEMPT  
14 FROM TAXATION UNDER A.R.S. SECTION 42-5073.

15 (l) (Reserved)

16 (m) (Reserved)

17 **++(Local Option #00:**

18 (m) Notwithstanding the other provisions of this Section, the tax imposed by this  
19 Section does not apply to the rental, leasing or licensing for use of commercial  
20 property.)++

21 (n) Notwithstanding the provisions of Section \_\_-200(b), the fair market value of one  
22 (1) apartment, in an apartment complex provided rent free to an employee of the  
23 apartment complex is not subject to the tax imposed by this Section. For an  
24 apartment complex with more than fifty (50) units, an additional apartment

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1 provided rent free to an employee for every additional fifty (50) units is not  
2 subject to the tax imposed by this Section.

3 (o) Income derived from incarcerating or detaining prisoners who are under the  
4 jurisdiction of the United States, this State or any other state or a political  
5 subdivision of this State or of any other state in a privately operated prison, jail or  
6 detention facility is exempt from the tax imposed by this Section.

7 (p) Charges by any hospital, any licensed nursing care institution, or any kidney  
8 dialysis facility to patients of such facilities for the use of rooms or other real  
9 property during the course of their treatment by such facilities are exempt.

10 (q) Charges to patients receiving "personal care" or "directed care", by any licensed  
11 assisted living facility, licensed assisted living center or licensed assisted living  
12 home as defined and licensed pursuant to Chapter 4 Title 36 Arizona Revised  
13 Statutes and Title 9 of the Arizona Administrative Code are exempt.

14 (r) Income received from the rental of any "low-income unit" as established under  
15 Section 42 of the Internal Revenue Code, including the low-income housing  
16 credit provided by IRC Section 42, to the extent that the collection of tax on rental  
17 income causes the "gross rent" defined by IRC Section 42 to exceed the income  
18 limitation for the low-income unit is exempt. This exemption also applies to  
19 income received from the rental of individual rental units subject to statutory or  
20 regulatory "low-income unit" rent restrictions similar to IRC Section 42 to the  
21 extent that the collection of tax from the tenant causes the rental receipts to  
22 exceed a rent restriction for the low-income unit. This subsection also applies to  
23 rent received by a person other than the owner or lessor of the low-income unit,  
24 including a broker. This subsection does not apply unless a taxpayer maintains

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1 the documentation to support the qualification of a unit as a low-income unit, the  
2 "gross rent" limitation for the unit and the rent received from that unit.

3 (s) The gross proceeds of a commercial lease of real property between affiliated  
4 companies, businesses, persons or reciprocal insurers are exempt. For the  
5 purposes of this paragraph:

6 (1) "affiliated companies, businesses, persons or reciprocal insurers" means  
7 the lessor holds a controlling interest in the lessee, the lessee holds a  
8 controlling interest in the lessor, an affiliated entity holds a controlling  
9 interest in both the lessor and the lessee or an unrelated person holds a  
10 controlling interest in both the lessor and lessee.

11 (2) "controlling interest" means direct or indirect ownership of at least eighty  
12 per cent of the voting shares of a corporation or of the interests in a  
13 company, business or person other than a corporation.

14 (3) "reciprocal insurer" has the same meaning as prescribed in A.R.S.  
15 Section 20-762.

16  
17 **Section VII. Model City Tax Code Section 450 is amended as follows, with an effective**  
18 **date of August 1, 2015.**

19  
20 **Sec. \_\_\_-450. Rental, leasing, and licensing for use of tangible personal property.**

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

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

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

- 11 (1) rental, leasing, or licensing for use of tangible personal property to  
12 persons engaged or continuing in the business of leasing, licensing for  
13 use, or rental of such property.
- 14 (2) rental, leasing, or licensing for use of tangible personal property that is  
15 semi-permanently or permanently installed within another city or town that  
16 levies an equivalent excise tax on the transaction.
- 17 (3) rental, leasing, or licensing for use of film, tape, or slides to a theater or  
18 other person taxed under Section \_\_\_-410, or to a radio station, television  
19 station, or subscription television system.
- 20 (4) rental, leasing, or licensing for use of the following:
- 21 (A) prosthetics.
- 22 (B) income-producing capital equipment.
- 23 (C) mining and metallurgical supplies.

24 These exemptions include the rental, leasing, or licensing for use of  
25 tangible personal property which, if it had been purchased instead of

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1 leased, rented, or licensed by the lessee or licensee, would qualify as  
2 income-producing capital equipment or mining and metallurgical supplies.

3 (5) rental, leasing, or licensing for use of tangible personal property to a  
4 qualifying hospital, qualifying community health center or a qualifying  
5 health care organization, except when the property so rented, leased, or  
6 licensed is for use in activities resulting in gross income from unrelated  
7 business income as that term is defined in 26 U.S.C. Section 512 or  
8 rental, leasing, or licensing for use of tangible personal property in this  
9 State by a nonprofit charitable organization that has qualified under  
10 Section 501(c)(3) of the United States Internal Revenue Code and that  
11 engages in and uses such property exclusively for training, job placement  
12 or rehabilitation programs or testing for mentally or physically  
13 handicapped persons.

14 (6) separately billed charges for delivery, installation, repair, and/or  
15 maintenance as provided by Regulation.

16 (7) charges for joint pole usage by a person engaged in the business of  
17 providing or furnishing utility or telecommunication services OR THAT IS  
18 A CABLE OPERATOR, OR CHARGES FOR JOINT POLE USAGE to A  
19 person engaged in the business of providing or furnishing utility or  
20 telecommunication services OR THAT IS A CABLE OPERATOR.  
21 "CABLE OPERATOR" HAS THE SAME MEANING AS PRESCRIBED BY  
22 A.R.S. SECTION 9-505.

23 (8) the gross income from coin-operated washing, drying, and dry cleaning  
24 machines, or from coin-operated car washing machines. This exemption  
25 shall not apply to suppliers or distributors renting, leasing, or licensing for

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1 use of such equipment to persons engaged in the operation of coin-  
2 operated washing, drying, dry cleaning, or car washing establishments.

3 **\*\* (Model Option #7:**

- 4 (8) (Reserved)\*\*
- 5 (9) rental, leasing, or licensing of aircraft that would qualify as aircraft  
6 acquired for use outside the State, as prescribed by Regulation, if such  
7 rental, leasing, or licensing had been a sale.
- 8 (10) rental, leasing and licensing for use of an alternative fuel vehicle if such  
9 vehicle was manufactured as a diesel fuel vehicle and converted to  
10 operate on alternative fuel and equipment that is installed in a  
11 conventional diesel fuel motor vehicle to convert the vehicle to operate on  
12 an alternative fuel, as defined in A.R.S. Section 1-215.
- 13 (11) rental, leasing, and licensing for use of solar energy devices, for taxable  
14 periods beginning from and after July 1, 2008. The lessor shall register  
15 with the Department of Revenue as a solar energy retailer. By registering,  
16 the lessor acknowledges that it will make its books and records relating to  
17 leases of solar energy devices available to the Department of Revenue  
18 and City, as applicable, for examination.
- 19 (12) leasing or renting certified ignition interlock devices installed pursuant to  
20 the requirements prescribed by A.R.S. Section 28-1461. For the purposes  
21 of this paragraph, "certified ignition interlock device" has the same  
22 meaning prescribed in A.R.S. Section 28-1301.
- 23

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1 **Section VIII. Model City Tax Code Section 455 is amended as follows with the following**  
2 **effective dates per subsection: (f) January 1, 2015; (g) January 1, 2018; (h) August 3,**  
3 **2018.**

4  
5 **Sec. \_\_\_-455. Restaurants and Bars.**

6 (a) The tax rate shall be at an amount equal to \_\_\_\_\_ percent (\_\_\_%) of the gross  
7 income from the business activity upon every person engaging or continuing in  
8 the business of preparing or serving food or beverage in a bar, cocktail lounge,  
9 restaurant, or similar establishment where articles of food or drink are prepared  
10 or served for consumption on or off the premises, including also the activity of  
11 catering. Cover charges and minimum charges must be included in the gross  
12 income of this business activity.

13 (b) Caterers and other taxpayers subject to the tax who deliver food and/or serve  
14 such food off premises, shall also be allowed to exclude separately charged  
15 delivery, set-up, and clean-up charges, provided that the charges are also  
16 maintained separately in the books and records. When a taxpayer delivers food  
17 and/or serves such food off premises, his regular business location shall still be  
18 deemed the location of the transaction for the purposes of the tax imposed by  
19 this Section.

20 (c) The tax imposed by this Section shall not apply to sales to a qualifying hospital,  
21 qualifying community health center or a qualifying health care organization,  
22 except when sold for use in activities resulting in gross income from unrelated  
23 business income as that term is defined in 26 U.S.C. Section 512.

24 (d) The tax imposed by this Section shall not apply to sales of food, beverages,  
25 condiments and accessories used for serving food and beverages to a

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1 commercial airline, as defined in A.R.S. ~~SECTION 42-5061~~, that serves the food  
2 and beverages to its passengers, without additional charge, for consumption in  
3 flight.

- 4 (e) The tax imposed by this Section shall not apply to sales of prepared food,  
5 beverages, condiments or accessories to a public educational entity, pursuant to  
6 any of the provisions of Title 15, Arizona Revised Statutes, to the extent such  
7 items are to be prepared or served to individuals for consumption on the  
8 premises of a public educational entity during school hours.

9 ~~(F) THE TAX IMPOSED BY THIS SECTION SHALL NOT APPLY TO SALES OF~~  
10 ~~LOW OR REDUCED COST ARTICLES OF FOOD OR DRINK TO ELIGIBLE~~  
11 ~~ELDERLY OR HOMELESS PERSONS OR PERSONS WITH A DISABILITY BY~~  
12 ~~A BUSINESS SUBJECT TO TAX UNDER A.R.S. SECTION 42-5074 THAT~~  
13 ~~CONTRACTS WITH THE DEPARTMENT OF ECONOMIC SECURITY AND~~  
14 ~~THAT IS APPROVED BY THE FOOD AND NUTRITION SERVICE OF THE~~  
15 ~~UNITED STATES DEPARTMENT OF AGRICULTURE PURSUANT TO THE~~  
16 ~~SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM ESTABLISHED BY~~  
17 ~~THE FOOD AND NUTRITION ACT OF 2008 (P.L. 110-246; 122 STAT. 1651; 7~~  
18 ~~UNITED STATES CODE SECTIONS 2011 THROUGH 2036a), IF THE~~  
19 ~~PURCHASES ARE MADE WITH THE BENEFITS ISSUED PURSUANT TO THE~~  
20 ~~SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM.~~

21 ~~(G) THE TAX IMPOSED BY THIS SECTION SHALL NOT APPLY TO SALES BY A~~  
22 ~~NONPROFIT ORGANIZATION THAT IS EXEMPT FROM TAXATION UNDER~~  
23 ~~SECTION 501(C)(3), 501(C)(4) OR 501(C)(6) OF THE INTERNAL REVENUE~~  
24 ~~CODE IF THE ORGANIZATION IS ASSOCIATED WITH A MAJOR LEAGUE~~  
25 ~~BASEBALL TEAM OR A NATIONAL TOURING PROFESSIONAL GOLFING~~

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1 ASSOCIATION AND NO PART OF THE ORGANIZATION'S NET EARNINGS  
2 INURES TO THE BENEFIT OF ANY PRIVATE SHAREHOLDER OR  
3 INDIVIDUAL. THIS PARAGRAPH DOES NOT APPLY TO AN ORGANIZATION  
4 THAT IS OWNED, MANAGED OR CONTROLLED, IN WHOLE OR IN PART, BY  
5 A MAJOR LEAGUE BASEBALL TEAM, OR ITS OWNERS, OFFICERS,  
6 EMPLOYEES OR AGENTS, OR BY A MAJOR LEAGUE BASEBALL  
7 ASSOCIATION OR PROFESSIONAL GOLFING ASSOCIATION, OR ITS  
8 OWNERS, OFFICERS, EMPLOYEES OR AGENTS, UNLESS THE  
9 ORGANIZATION CONDUCTED OR OPERATED EXHIBITION EVENTS IN THIS  
10 STATE BEFORE JANUARY 1, 2018 THAT WERE EXEMPT FROM TAXATION  
11 UNDER A.R.S. SECTION 42-5073.

12 (H) IF A CITY, TOWN OR OTHER TAXING JURISDICTION IMPOSES A  
13 TRANSACTION PRIVILEGE, SALES, USE, FRANCHISE OR OTHER SIMILAR  
14 TAX OR FEE, HOWEVER DENOMINATED, ON THE SALE OF FOOD ITEMS  
15 INTENDED FOR HUMAN CONSUMPTION AS DEFINED BY RULE ADOPTED  
16 PURSUANT TO A.R.S. SECTION 42-5106 OR ITEMS PRESCRIBED BY A.R.S.  
17 SECTION 42-5106, SUBSECTION D FOR CONSUMPTION ON THE  
18 PREMISES, THE TAX MUST BE APPLIED UNIFORMLY WITH RESPECT TO  
19 ALL FOOD ITEMS, AND AN ADDITIONAL TAX OR FEE DIFFERENTIAL MAY  
20 NOT BE ASSESSED OR APPLIED WITH RESPECT TO ANY SPECIFIC FOOD  
21 ITEM.

22 (I) For the purposes of this Section, "accessories" means paper plates, plastic  
23 eating utensils, napkins, paper cups, drinking straws, paper sacks or other  
24 disposable containers, or other items which facilitate the consumption of the  
25 food.

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1  
2 **Section IX. Model City Tax Code Section 462 is amended as follows, with an effective**  
3 **date of January 1, 2015, except new subsection (f) which has an effective date of August**  
4 **3, 2018.**

5  
6 **Sec. \_\_\_-462. Retail sales: food for home consumption.**

7 (a) The tax rate shall be at an amount equal to \_\_\_ percent (\_\_\_ %) of the gross  
8 income from the business activity upon every person engaging or continuing in  
9 the business of selling food for home consumption at retail.

10 (b) For the purposes of this Section only, the following definitions shall be applicable:

11 (1) "Eligible grocery business" means an establishment THAT IS DEEMED  
12 ELIGIBLE TO PARTICIPATE IN THE SUPPLEMENTAL NUTRITION  
13 ASSISTANCE PROGRAM ESTABLISHED BY THE FOOD AND  
14 NUTRITION ACT OF 2008 (P.L. 110-246; 122 STAT. 1651; 7 UNITED  
15 STATES CODE SECTIONS 2011 THROUGH 2036A) BY THE UNITED  
16 STATES DEPARTMENT OF AGRICULTURE FOOD AND NUTRITION  
17 SERVICE OR AN ESTABLISHMENT THAT PROVES TO THE  
18 SATISFACTION OF THE DEPARTMENT OF REVENUE THAT, BASED  
19 ON THE NATURE OF THE ESTABLISHMENT'S FOOD SALES, COULD  
20 BE ELIGIBLE TO PARTICIPATE IN THE SUPPLEMENTAL NUTRITION  
21 ASSISTANCE PROGRAM ESTABLISHED BY THE FOOD AND  
22 NUTRITION ACT OF 2008.

23 (2) "Facilities for the consumption of food" means tables, chairs, benches,  
24 booths, stools, counters, and similar conveniences, trays, glasses,  
25 dishes, or other tableware and parking areas for the convenience of in-car

**Deleted:** whose sales of food are such that it is eligible to participate in the food stamp program established by the food stamp act of 1977 (P.L. 95-113; 91 stat. 958.7 U.S.C. Section 2011 et seq.), according to regulations in effect on January 1, 1979. An establishment is deemed eligible to participate in the food stamp program if it is authorized to participate in the program by the united states department of agriculture food and nutrition service field office on the effective date of this section, or if, prior to a reporting period for which the return is filed, such retailer proves to the satisfaction of the tax collector that the establishment, based on the nature of the retailer's food sales, could be eligible to participate in the food stamp program established by the food stamp act of 1977 according to regulations in effect on January 1, 1979.

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1 consumption of food in or on the premises on which the retailer conducts  
2 business.

3 (3) "Food for consumption on the premises" means any of the following:

4 (A) "Hot prepared food" as defined below.

5 (B) Hot or cold sandwiches.

6 (C) Food served by an attendant to be eaten at tables, chairs,  
7 benches, booths, stools, counters, and similar conveniences and  
8 within parking areas for the convenience of in-car consumption of  
9 food.

10 (D) Food served with trays, glasses, dishes, or other tableware.

11 (E) Beverages sold in cups, glasses, or open containers.

12 (F) Food sold by caterers.

13 (G) Food sold within the premises of theatres, movies, operas, shows  
14 of any type or nature, exhibitions, concerts, carnivals, circuses,  
15 amusement parks, fairs, races, contests, games, athletic events,  
16 rodeos, billiard and pool parlors, bowling alleys, public dances,  
17 dance halls, boxing, wrestling and other matches, and any  
18 business which charges admission, entrance, or cover fees for  
19 exhibition, amusement, entertainment, or instruction.

20 (H) Any items contained in subsections (a)(3)(A) through (G) above  
21 even though they are sold on a "take-out" or "to go" basis, and  
22 whether or not the item is packaged, wrapped, or is actually taken  
23 from the premises.

24 (4) "Hot prepared food" means those products, items, or ingredients of food  
25 which are prepared and intended for consumption in a heated condition.

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1 "Hot prepared food" includes a combination of hot and cold food items or  
2 ingredients if a single price has been established.

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3 (5) "Premises" means the total space and facilities in or on which a vendor  
4 conducts business and which are owned or controlled, in whole or in part,  
5 by a vendor or which are made available for the use of customers of the  
6 vendor or group of vendors, including any building or part of a building,  
7 parking lot, or grounds.

8 (6) "Food for home consumption" means all food, except food for  
9 consumption on the premises, if sold by any of the following:

10 (A) An eligible grocery business.

11 (B) A person who conducts a business whose primary business is not  
12 the sale of food but who sells food which is displayed, packaged,  
13 and sold in a similar manner as an eligible grocery business.

14 (C) A person who sells food and does not provide or make available  
15 any facilities for the consumption of food on the premises.

16 (D) A person who conducts a delicatessen business either from a  
17 counter which is separate from the place and cash register where  
18 taxable sales are made or from a counter which has two cash  
19 registers and which are used to record taxable and tax exempt  
20 sales, or a retailer who conducts a delicatessen business who  
21 uses a cash register which has at least two tax computing keys  
22 which are used to record taxable and tax exempt sales.

23 (E) Vending machines and other types of automatic retailers.

24 (F) A person's sales of food, drink and condiment for consumption  
25 within the premises of any prison, jail or other institution under the

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

(c) Income derived from the following sources is exempt from the tax imposed by  
this Section:

- (1) Sales of food for home consumption to a person regularly engaged in the  
business of selling such property.
- (2) Out-of-city sales or out-of-state sales.
- (3) Charges for delivery or other "direct customer services" as prescribed by  
regulation.
- (4) Food purchased UNDER THE SUPPLEMENTAL NUTRITION  
ASSISTANCE PROGRAM (SNAP) ESTABLISHED BY THE FOOD AND  
NUTRITION ACT OF 2008 (P.L. 110-246; 122 STAT. 1651; 7 UNITED  
STATES CODE SECTIONS 2011 THROUGH 2036A) BY THE UNITED  
STATES DEPARTMENT OF AGRICULTURE FOOD AND NUTRITION  
SERVICE, but only to the extent that SNAP BENEFITS USING AN  
ELECTRONIC BENEFITS TRANSFER (EBT) CARD OR OTHER  
METHOD OF CONVEYING SNAP BENEFITS WAS, actually used to  
purchase such food.
- (5) Sales of food products by producers as provided for by A.R.S. Sections 3-  
561, 3-562 and 3-563.
- (6) Sales of food, beverages, condiments and accessories to a public  
educational entity, pursuant to any of the provisions of Title 15, Arizona  
Revised Statutes, including a regularly organized private or parochial  
school that offers an educational program for grade twelve or under which

**Deleted:** with food stamps provided through the food stamp program established by the food stamp act of 1977 (p.l. 95-113; 91 stat. 958.7 U.S.C. section 2011 et seq.) or purchased with food instruments issued under section 17 of the child nutrition act (p.l. 95-627; 92 stat. 3603; and P.L. 99-669; section 4302; 42 United States code section 1786)

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1           may be attended in substitution for a public school pursuant to A.R.S.

2           SECTION 15-802 ; to the extent such items are to be prepared or served

3           to individuals for consumption on the premises of a public educational

4           entity during school hours. for the purposes of this subsection,

5           "accessories" means paper plates, plastic eating utensils, napkins, paper

6           cups, drinking straws, paper sacks or other disposable containers, or

7           other items which facilitate the consumption of the food.

8           (7) Sales of food, beverages, condiments and accessories to a nonprofit

9           charitable organization that has qualified as an exempt organization

10           under 26 U.S.C. Section 501(c)(3) and regularly serves meals to the

11           needy and indigent on a continuing basis at no cost. for the purposes of

12           this subsection, "accessories" means paper plates, plastic eating utensils,

13           napkins, paper cups, drinking straws, paper sacks or other disposable

14           containers, or other items which facilitate the consumption of the food.

15           (d) Reporting. such persons who sell food for home consumption shall, in

16           conjunction with the return required pursuant to Section \_\_\_-520, report to the

17           tax collector in a manner prescribed by the tax collector all sales of food for home

18           consumption exempted from taxes imposed by this Chapter.

19           (e) Recordkeeping.

20           (1) Retailers shall maintain accurate, verifiable, and complete records of all

21           purchases and sales of tangible personal property in order to verify

22           exemptions from taxes imposed by this chapter. A retailer may use any

23           method of reporting that properly reflects all purchases and sales of food

24           for home consumption, as well as all purchases and sales of items

25           subject to taxes imposed by this Chapter, provided that such records are

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1 maintained in accordance with Article III, and regulations of the tax  
2 collector.

- 3 (2) Any person who fails to maintain records as provided herein shall be  
4 deemed to have had no sales of food for home consumption, and if upon  
5 request by the tax collector, a person cannot demonstrate to the tax  
6 collector that such records and reports do properly reflect all sales of food  
7 for home consumption, the tax collector may recompute the amount of tax  
8 to be paid as provided in Sections \_\_\_-370 and \_\_\_-545(b).

9 (F) IF A CITY, TOWN OR OTHER TAXING JURISDICTION IMPOSES A  
10 TRANSACTION PRIVILEGE, SALES, USE, FRANCHISE OR OTHER SIMILAR  
11 TAX OR FEE, HOWEVER DENOMINATED, ON THE SALE OF FOOD ITEMS  
12 INTENDED FOR HUMAN CONSUMPTION AS DEFINED BY RULE ADOPTED  
13 PURSUANT TO A.R.S. SECTION 42-5106 OR ITEMS PRESCRIBED BY A.R.S.  
14 SECTION 42-5106, SUBSECTION D FOR HOME CONSUMPTION, THE TAX  
15 MUST BE APPLIED UNIFORMLY WITH RESPECT TO ALL FOOD, AND AN  
16 ADDITIONAL TAX OR FEE DIFFERENTIAL MAY NOT BE ASSESSED OR  
17 APPLIED WITH RESPECT TO ANY SPECIFIC FOOD ITEM.

18  
19 **Section X. Model City Tax Code Section 465 is amended as follows, with the following**  
20 **effective dates per subsection: (k) January 1, 2015; (v) August 6, 2016; (y) January 1,**  
21 **2018; (ss) July 24, 2014; (tt) September 1, 2016; (uu) September 12, 2013; (vv) August 3,**  
22 **2018; (ww) August 3, 2018.**

23  
24 **Sec. \_\_\_-465. Retail sales: exemptions.**

25 Income derived from the following sources is exempt from the tax imposed by Section \_\_\_-460:

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- 1 (a) sales of tangible personal property to a person regularly engaged in the business  
2 of selling such property.
- 3 (b) out-of-City sales or out-of-State sales.
- 4 (c) charges for delivery, installation, or other direct customer services as prescribed  
5 by Regulation.
- 6 (d) charges for repair services as prescribed by Regulation, when separately  
7 charged and separately maintained in the books and records of the taxpayer.
- 8 (e) sales of warranty, maintenance, and service contracts, when separately charged  
9 and separately maintained in the books and records of the taxpayer.
- 10 (f) sales of prosthetics.
- 11 (g) sales of income-producing capital equipment.
- 12 (h) sales of rental equipment and rental supplies.
- 13 (i) sales of mining and metallurgical supplies.
- 14 (j) sales of motor vehicle fuel and use fuel which are subject to a tax imposed under  
15 the provisions of Article I or II, Chapter 16, Title 28, Arizona Revised Statutes; or  
16 sales of use fuel to a holder of a valid single trip use fuel tax permit issued under  
17 A.R.S. Section 28-5739, or sales of natural gas or liquefied petroleum gas used  
18 to propel a motor vehicle.
- 19 (k) sales of tangible personal property to:

20 (1) a construction contractor who holds a valid Privilege Tax License for  
21 engaging or continuing in the business of construction contracting where  
22 the tangible personal property sold is incorporated into any structure or  
23 improvement to real property as part of construction contracting activity.

24 (2) A PERSON THAT IS NOT SUBJECT TO TAX UNDER SECTION  
25 415(B)(12) AND THAT HAS BEEN PROVIDED A COPY OF A

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CERTIFICATE UNDER A.R.S. 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.

(l) sales of motor vehicles to nonresidents of this State for use outside this State if the vendor ships or delivers the motor vehicle to a destination outside this State.

(m) sales of tangible personal property which directly enters into and becomes an ingredient or component part of a product sold in the regular course of the business of job printing, manufacturing, or publication of newspapers, magazines, or other periodicals. Tangible personal property which is consumed or used up in a manufacturing, job printing, publishing, or production process is not an ingredient nor component part of a product.

(n) sales made directly to the Federal government to the extent of:

(1) one hundred percent (100%) of the gross income derived from retail sales made by a manufacturer, modifier, assembler, or repairer.

(2) fifty percent (50%) of the gross income derived from retail sales made by any other person.

**++(Local Option #B:**

(n) (Reserved)

(1) (Reserved)

(2) (Reserved))++

(o) sales to hotels, bars, restaurants, dining cars, lunchrooms, boarding houses, or similar establishments of articles consumed as food, drink, or condiment, whether simple, mixed, or compounded, where such articles are customarily

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1 prepared or served to patrons for consumption on or off the premises, where the  
2 purchaser is properly licensed and paying a tax under Section \_\_\_-455 or the  
3 equivalent excise tax upon such income.

4 (p) sales of tangible personal property to a qualifying hospital, qualifying community  
5 health center or a qualifying health care organization, except when the property  
6 sold is for use in activities resulting in gross income from unrelated business  
7 income as that term is defined in 26 U.S.C. Section 512 or sales of tangible  
8 personal property purchased in this State by a nonprofit charitable organization  
9 that has qualified under Section 501(c)(3) of the United States Internal Revenue  
10 Code and that engages in and uses such property exclusively for training, job  
11 placement or rehabilitation programs or testing for mentally or physically  
12 handicapped persons.

13 (q) (Reserved) (see Mesa city page).

14 (r) sales of the following to persons engaging or continuing in the business of  
15 farming, ranching, or feeding livestock, poultry or ratites:

16 (1) seed, fertilizer, fungicides, seed treating chemicals, and other similar  
17 chemicals.

18 (2) feed for livestock, poultry or ratites, including salt, vitamins, and other  
19 additives to such feed.

20 (3) livestock, poultry or ratites purchased or raised for slaughter, but not  
21 including livestock purchased or raised for production or use, such as  
22 milch cows, breeding bulls, laying hens, riding or work horses.

23 (4) (Reserved)

24 **++(Local Option #W:**

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1 (4) neat animals, horses, asses, sheep, swine, or goats for the purpose of  
2 becoming breeding or production stock, including sales of breedings or  
3 ownership shares in such animals.)++

4 This exemption shall not be construed to include machinery, equipment, fuels,  
5 lubricants, pharmaceuticals, repair and replacement parts, or other items used or  
6 consumed in the running, maintenance, or repair of machinery, equipment,  
7 buildings, or structures used or consumed in the business of farming, ranching,  
8 or feeding of livestock, poultry or ratites.

9 **\*\* (Model Option #10:**

10 (r) (Reserved)

11 (1) (Reserved)

12 (2) (Reserved)

13 (3) (Reserved)

14 (4) (Reserved)\*\*

15 (s) sales of groundwater measuring devices required by A.R.S. Section 45-604.

16 (t) (Reserved)

17 **++ (Local Option #X:**

18 (t) sales of paintings, sculptures or similar works of fine art, provided that such  
19 works of fine art are sold by the original artist; and provided further that sales of  
20 "art creations", such as jewelry, macramé, glasswork, pottery, woodwork,  
21 metalwork, furniture, and clothing, when such "art creations" have a dual  
22 purpose, both aesthetic and utilitarian, are not exempt, whether sold by the artist  
23 or by another.)++

24 (u) sales of aircraft acquired for use outside the State, as prescribed by Regulation.

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- 1 (v) sales of food products by producers as provided for by A.R.S. Sections 3-561, 3-  
2 562 and 3-563. THIS INCLUDES SALES MADE DIRECTLY BY OWNERS,  
3 PROPRIETORS OR TENANTS OF AGRICULTURAL LANDS OR FARMS WHO  
4 SELL LIVESTOCK OR POULTRY FEED THAT IS GROWN OR RAISED ON  
5 THEIR LANDS TO ANY OF THE FOLLOWING:  
6 (1) PERSONS WHO FEED THEIR OWN LIVESTOCK OR POULTRY.  
7 (2) PERSONS WHO ARE ENGAGED IN THE BUSINESS OF PRODUCING  
8 LIVESTOCK OR POULTRY COMMERCIALY.  
9 (3) PERSONS WHO ARE ENGAGED IN THE BUSINESS OF FEEDING  
10 LIVESTOCK OR POULTRY COMMERCIALY OR WHO BOARD  
11 LIVESTOCK NONCOMMERCIALY.

12 (w) (Reserved)

13 **++(Local Option #Z:**

- 14 (w) sales of textbooks that are required by any State university or community college  
15 by any bookstore.)++  
16 (x) sales of food and drink to a person who is engaged in business that is classified  
17 under the restaurant classification and that provides such food and drink without  
18 monetary charge to its employees for their own consumption on the premises  
19 during such employees' hours of employment.  
20 (y) SALES OF TANGIBLE PERSONAL PROPERTY BY A NONPROFIT  
21 ORGANIZATION THAT IS EXEMPT FROM TAXATION UNDER SECTION  
22 501(C)(3), 501(C)(4) OR 42 501(C)(6) OF THE INTERNAL REVENUE CODE IF  
23 THE ORGANIZATION IS ASSOCIATED WITH A MAJOR LEAGUE BASEBALL  
24 TEAM OR A NATIONAL TOURING PROFESSIONAL GOLFING ASSOCIATION  
25 AND NO PART OF THE ORGANIZATION'S NET EARNINGS INURES TO THE

Deleted: (Reserved)

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1 BENEFIT OF ANY PRIVATE SHAREHOLDER OR INDIVIDUAL. THIS  
2 PARAGRAPH DOES NOT APPLY TO AN ORGANIZATION THAT IS OWNED,  
3 MANAGED OR CONTROLLED, IN WHOLE OR IN PART, BY A MAJOR  
4 LEAGUE BASEBALL TEAM, OR ITS OWNERS, OFFICERS, EMPLOYEES OR  
5 AGENTS, OR BY A MAJOR LEAGUE BASEBALL ASSOCIATION OR  
6 PROFESSIONAL GOLFING ASSOCIATION, OR ITS OWNERS, OFFICERS,  
7 EMPLOYEES OR AGENTS, UNLESS THE ORGANIZATION CONDUCTED OR  
8 OPERATED EXHIBITION EVENTS IN THIS STATE BEFORE JANUARY 1,  
9 2018 THAT WERE EXEMPT FROM TAXATION UNDER A.R.S. SECTION 42-  
10 5073.

11 (z) (Reserved)

12 **++(Local Option #CC:**

- 13 (z) gross income received for tangible personal property consisting of manufactured  
14 items destroyed by being subjected to destructive stress, strain or similar testing,  
15 for the purpose of developing engineering information or for the purpose of  
16 quality control, but only to the extent that a sale of said property would otherwise  
17 be exempt by the provisions of this Chapter.)++
- 18 (aa) the sale of tangible personal property used in remediation contracting as defined  
19 in Section \_\_\_\_-100 and Regulation \_\_\_\_-100.5.
- 20 (bb) sales of materials that are purchased by or for publicly funded libraries including  
21 school district libraries, charter school libraries, community college libraries, state  
22 university libraries or federal, state, county or municipal libraries for use by the  
23 public as follows:
- 24 (1) printed or photographic materials.
- 25 (2) electronic or digital media materials.

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- 1 (cc) sales of food, beverages, condiments and accessories used for serving food and  
2 beverages to a commercial airline, as defined in A.R.S. Section 42-5061, that  
3 serves the food and beverages to its passengers, without additional charge, for  
4 consumption in flight. For the purposes of this subsection, "accessories" means  
5 paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper  
6 sacks or other disposable containers, or other items which facilitate the  
7 consumption of the food.
- 8 (dd) in computing the tax base in the case of the sale or transfer of wireless  
9 telecommunication equipment as an inducement to a customer to enter into or  
10 continue a contract for telecommunication services that are taxable under  
11 Section \_\_\_\_-470, gross proceeds of sales or gross income does not include any  
12 sales commissions or other compensation received by the retailer as a result of  
13 the customer entering into or continuing a contract for the telecommunications  
14 services.
- 15 (ee) for the purposes of this Section, a sale of wireless telecommunication equipment  
16 to a person who holds the equipment for sale or transfer to a customer as an  
17 inducement to enter into or continue a contract for telecommunication services  
18 that are taxable under Section \_\_\_\_-470 is considered to be a sale for resale in  
19 the regular course of business.
- 20 (ff) sales of alternative fuel as defined in A.R.S. Section 1-215, to a used oil fuel  
21 burner who has received a Department of Environmental Quality permit to burn  
22 used oil or used oil fuel under A.R.S. Section 49-426 or A.R.S. Section 49-480.
- 23 (gg) sales of food, beverages, condiments and accessories to a public educational  
24 entity pursuant to any of the provisions of Title 15, Arizona Revised Statutes,  
25 including a regularly organized private or parochial school that offers an

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1 educational program for grade twelve (12) or under which may be attended in  
2 substitution for a public school pursuant to A.R.S. SECTION 15-802; to the  
3 extent such items are to be prepared or served to individuals for consumption on  
4 the premises of a public educational entity during school hours. For the purposes  
5 of this subsection, "accessories" means paper plates, plastic eating utensils,  
6 napkins, paper cups, drinking straws, paper sacks or other disposable  
7 containers, or other items which facilitate the consumption of the food.

8 (hh) sales of personal hygiene items to a person engaged in the business of and  
9 subject to tax under Section \_\_\_\_-444 of this code if the tangible personal  
10 property is furnished without additional charge to and intended to be consumed  
11 by the person during his occupancy.

12 (ii) for the purposes of this Section, the diversion of gas from a pipeline by a person  
13 engaged in the business of operating a natural or artificial gas pipeline, for the  
14 sole purpose of fueling compressor equipment to pressurize the pipeline, is not a  
15 sale of the gas to the operator of the pipeline.

16 (jj) sales of food, beverages, condiments and accessories to a nonprofit charitable  
17 organization that has qualified as an exempt organization under 26 U.S.C  
18 Section 501(c)(3) and regularly serves meals to the needy and indigent on a  
19 continuing basis at no cost. For the purposes of this subsection, "accessories"  
20 means paper plates, plastic eating utensils, napkins, paper cups, drinking straws,  
21 paper sacks or other disposable containers, or other items which facilitate the  
22 consumption of the food.

23 (kk) sales of motor vehicles that use alternative fuel if such vehicle was manufactured  
24 as a diesel fuel vehicle and converted to operate on alternative fuel and sales of

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1 equipment that is installed in a conventional diesel fuel motor vehicle to convert  
2 the vehicle to operate on an alternative fuel, as defined in A.R.S. Section 1-215.

3 (ll) sales of solar energy devices, for taxable periods beginning from and after July 1,  
4 2008. The retailer shall register with the department of revenue as a solar energy  
5 retailer. By registering, the retailer acknowledges that it will make its books and  
6 records relating to sales of solar energy devices available to the department of  
7 revenue and city, as applicable, for examination.

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

15 (nn) sales of magazines or other periodicals or other publications by this state to  
16 encourage tourist travel.

17 (oo) sales of paper machine clothing, such as forming fabrics and dryer felts, sold to a  
18 paper manufacturer and directly used or consumed in paper manufacturing.

19 (pp) sales of overhead materials or other tangible personal property that is used in  
20 performing a contract between the United States government and a  
21 manufacturer, modifier, assembler or repairer, including property used in  
22 performing a subcontract with a government contractor who is a manufacturer,  
23 modifier, assembler or repairer, to which title passes to the government under the  
24 terms of the contract or subcontract.

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

11 (rr) sales or gross income derived from sales of machinery, equipment, materials and  
12 other tangible personal property used directly and predominantly to construct a  
13 qualified environmental technology manufacturing, producing or processing  
14 facility as described in A.R.S. Section 41-1514.02. This subsection applies for ten  
15 full consecutive calendar or fiscal years after the start of initial construction.

16 (SS) THE TRANSFER OF TITLE OR POSSESSION OF COAL BACK AND FORTH  
17 BETWEEN AN OWNER OR OPERATOR OF A POWER PLANT AND A  
18 PERSON WHO IS RESPONSIBLE FOR REFINING COAL IF BOTH OF THE  
19 FOLLOWING APPLY:

20 (1) THE TRANSFER OF TITLE OR POSSESSION OF THE COAL IS FOR  
21 THE PURPOSE OF REFINING THE COAL; AND

22 (2) THE TITLE OR POSSESSION OF THE COAL IS TRANSFERRED BACK  
23 TO THE OWNER OR OPERATOR OF THE POWER PLANT AFTER  
24 COMPLETION OF THE COAL REFINING PROCESS. FOR THE  
25 PURPOSES OF THIS SUBDIVISION, "COAL REFINING PROCESS"

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1                   MEANS THE APPLICATION OF A COAL ADDITIVE SYSTEM THAT  
2                   AIDS THE REDUCTION OF POWER PLANT EMISSIONS DURING THE  
3                   COMBUSTION OF COAL AND THE TREATMENT OF FLUE GAS.

4                   (TT) (RESERVED)

5                   **++(Local Option #QQ:**

6                   (TT) SALES OF WORKS OF FINE ART, AS DEFINED IN A.R.S. SECTION 44-1771,  
7                   AT AN ART AUCTION OR GALLERY IN THIS STATE TO NONRESIDENTS OF  
8                   THIS STATE FOR USE OUTSIDE THIS STATE IF THE VENDOR SHIPS OR  
9                   DELIVERS THE WORK OF FINE ART TO A DESTINATION OUTSIDE THIS  
10                  STATE.)++

11                  (UU) COMPUTER DATA CENTER EQUIPMENT SOLD TO THE OWNER,  
12                  OPERATOR OR QUALIFIED COLOCATION TENANT OF A COMPUTER DATA  
13                  CENTER THAT IS CERTIFIED BY THE ARIZONA COMMERCE AUTHORITY  
14                  UNDER A.R.S. SECTION 41-1519 OR AN AUTHORIZED AGENT OF THE  
15                  OWNER, OPERATOR OR QUALIFIED COLOCATION TENANT DURING THE  
16                  QUALIFICATION PERIOD FOR USE IN THE QUALIFIED COMPUTER DATA  
17                  CENTER. FOR THE PURPOSES OF THIS PARAGRAPH, "COMPUTER DATA  
18                  CENTER", "COMPUTER DATA CENTER EQUIPMENT", "QUALIFICATION  
19                  PERIOD" AND "QUALIFIED COLOCATION TENANT" HAVE THE SAME  
20                  MEANINGS PRESCRIBED IN A.R.S. SECTION 41-1519.

21                  (VV) THE SALE, MANUFACTURE, WHOLESALE OR DISTRIBUTION TO OR  
22                  AMONG ANY WHOLESALERS, DISTRIBUTORS OR RETAILERS, OF FOOD  
23                  ITEMS INTENDED FOR HUMAN CONSUMPTION AS DEFINED BY RULE  
24                  ADOPTED PURSUANT TO A.R.S. SECTION 42-5106 OR ITEMS

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1 PRESCRIBED BY A.R.S. SECTION 42-5106, SUBSECTION D FOR HOME  
2 CONSUMPTION OR FOR CONSUMPTION ON THE PREMISES.  
3 (WW) THE SALE OF ANY CONTAINER OR PACKAGING USED EXCLUSIVELY FOR  
4 TRANSPORTING, PROTECTING OR CONSUMING FOOD ITEMS INTENDED  
5 FOR HUMAN CONSUMPTION AS DEFINED BY RULE ADOPTED PURSUANT  
6 TO A.R.S. SECTION 42-5106 OR ITEMS PRESCRIBED BY A.R.S. SECTION  
7 42-5106, SUBSECTION D FOR HOME CONSUMPTION OR FOR  
8 CONSUMPTION ON THE PREMISES.  
9

10 **Section XI. Model City Tax Code Section 470 is amended as follows, with an effective**  
11 **date of July 24, 2014.**  
12

13 **Sec. \_\_\_-470. Telecommunication services.**

14 (a) The tax rate shall be at an amount equal to \_\_\_\_\_ percent (\_\_\_%) of the gross  
15 income from the business activity upon every person engaging or continuing in  
16 the business of providing telecommunication services to consumers within this  
17 City.

18 (1) Telecommunication services shall include:

- 19 (A) two-way voice, sound, and/or video communication over a  
20 communications channel.  
21 (B) one-way voice, sound, and/or video transmission or relay over a  
22 communications channel.  
23 (C) facsimile transmissions.  
24 (D) providing relay or repeater service.

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- 1 (E) providing computer interface services over a communications  
2 channel.
- 3 (F) time-sharing activities with a computer accomplished through the  
4 use of a communications channel.
- 5 (2) Gross income from the business activity of providing telecommunication  
6 services to consumers within this City shall include:
- 7 (A) all fees for connection to a telecommunication system.
- 8 (B) toll charges, charges for transmissions, and charges for other  
9 telecommunications services; provided that such charges relate to  
10 transmissions originating in the City and terminating in this State.
- 11 (C) fees charged for access to or subscription to or membership in a  
12 telecommunication system or network.
- 13 ~~(D)~~ charges for telephone, fax or Internet access services provided at  
14 an additional charge by a hotel business subject to taxation under  
15 Section \_\_\_-444.
- 16 (b) Resale telecommunication services. Gross income from sales of  
17 telecommunication services to another provider of telecommunication services  
18 for the purpose of providing the purchaser's customers with such service shall be  
19 exempt from the tax imposed by this Section; provided, however, that such  
20 purchaser is properly licensed by the City to engage in such business.
- 21 (c) Interstate transmissions. Charges by a provider of telecommunication services  
22 for transmissions originating in the City and terminating outside the State are  
23 exempt from the tax imposed by this Section.
- 24 (d) Tax credit offset for franchise fees. There shall be allowed as an offset, up to the  
25 amount of tax due, any amounts paid to the City for license fees or franchise

**Deleted:** (D) - charges for monitoring services relating to a security or burglar alarm system located within the City where such system transmits or receives signals or data over a communications channel.¶  
(E)

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1 fees, but such offset shall not be allowed against taxes imposed by any other  
2 Section of this Chapter. Such offset shall not be deemed in conflict with or  
3 violation of subsection \_\_\_-400(b).

4 **\*\* (Model Option #11:**

5 (d) (Reserved)\*\*

6 (e) (Reserved)

7 **++ (Local Option #DD:**

8 (e) However, gross income from the providing of telecommunication services by a  
9 cable television system, as such system is defined in A.R.S. Section 9-505, shall  
10 be exempt from the tax imposed by this Section.)++

11 (f) Prepaid calling cards. Telecommunications services purchased with a prepaid  
12 calling card that are taxable under Section \_\_\_-460 are exempt from the tax  
13 imposed under this Section.

14 (g) Internet access services. The gross income subject to tax under this Section  
15 shall not include sales of internet access services to the person's subscribers and  
16 customers. For the purposes of this subsection:

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

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

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1 (H) ALARM MONITORING SERVICES. THE GROSS INCOME SUBJECT TO TAX  
2 UNDER THIS SECTION SHALL NOT INCLUDE SALES OF MONITORING  
3 SERVICES RELATING TO AN ALARM SYSTEM AS DEFINED IN A.R.S.  
4 SECTION 32-101.  
5

6 **Section XII. Model City Tax Code Section 475 is amended as follows, with an effective**  
7 **date of September 1, 2016.**  
8

9 **Sec. \_\_\_-475. Transporting for hire.**

10 The tax rate shall be at an amount equal to \_\_\_\_\_ percent (\_\_\_%) of the gross income from  
11 the business activity upon every person engaging or continuing in the business of providing the  
12 following forms of transportation for hire from this City to another point within the State:

- 13 (a) transporting of persons or property by railroad; provided, however, that the tax  
14 imposed by this subsection shall not apply to transporting freight or property for  
15 hire by a railroad operating exclusively in this State if the transportation  
16 comprises a portion of a single shipment of freight or property, involving more  
17 than one railroad, either from a point in this State to a point outside this State or  
18 from a point outside this State to a point in this State. For purposes of this  
19 paragraph, "a single shipment" means the transportation that begins at the point  
20 at which one of the railroads first takes possession of the freight or property and  
21 continues until the point at which one of the railroads relinquishes possession of  
22 the freight or property to a party other than one of the railroads.
- 23 (b) transporting of oil or natural or artificial gas through pipe or conduit.
- 24 (c) transporting of property by aircraft.

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1 (d) transporting of persons or property by motor vehicle, including towing and the  
2 operation of private car COMPANIES, as such are defined in Article VII, Chapter  
3 14, Title 42, Arizona Revised Statutes; provided, however, that the tax imposed  
4 by this subsection shall not apply to:

5 (1) gross income subject to the tax imposed by Article IV, Chapter 16, Title  
6 28, Arizona Revised Statutes.

7 (2) gross income derived from the operation of a governmentally adopted  
8 and controlled program to provide urban mass transportation.

9 (3) (RESERVED)

10 **++(Local Option #EE:**

11 (3) gross income derived from the transporting of persons or property by  
12 motor vehicle to a point outside the City.)++

13 (4) (RESERVED)

14 **++(Local Option #FF:**

15 (4) gross income derived from the towing of automobiles, trucks, and other  
16 motor vehicles or equipment by rental agencies, storage garages, service  
17 stations, parking lots, or other similar persons.)++

18 **\*\* (Model Option #12:**

19 (d) (Reserved)

20 (1) (Reserved)

21 (2) (Reserved)

22 (3) (Reserved)

23 (4) (Reserved)\*\*

24 (e) (Reserved)

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- 1 (f) Deductions or exemptions. The gross proceeds of sales or gross income derived  
2 from the following sources is exempt from the tax imposed by this Section:
- 3 (1) income that is specifically included as the gross income of a business  
4 activity upon which another Section of Article IV imposes a tax, that is  
5 separately stated to the customer and is taxable to the person engaged in  
6 that classification not to exceed consideration paid to the person  
7 conducting the activity.
- 8 (2) income from arranging amusement or transportation when the  
9 amusement or transportation is conducted by another person not to  
10 exceed consideration paid to the amusement or transportation business.
- 11 (3) ANY AMOUNT ATTRIBUTABLE TO FEES COLLECTED BY  
12 TRANSPORTATION NETWORK COMPANIES ISSUED A PERMIT  
13 PURSUANT TO A.R.S. SECTION 28-9552.
- 14 (4) TRANSPORTING FOR HIRE PERSONS BY TRANSPORTATION  
15 NETWORK COMPANY DRIVERS ON TRANSACTIONS INVOLVING  
16 TRANSPORTATION NETWORK SERVICES AS DEFINED IN A.R.S.  
17 SECTION 28-9551.
- 18 (5) TRANSPORTING FOR HIRE PERSONS BY VEHICLE FOR HIRE  
19 COMPANIES ISSUED A PERMIT PURSUANT TO A.R.S. SECTION 28-  
20 9503.
- 21 (6) TRANSPORTING FOR HIRE PERSONS BY VEHICLE FOR HIRE  
22 DRIVERS ON TRANSACTIONS INVOLVING VEHICLE FOR HIRE  
23 SERVICES AS DEFINED IN A.R.S. SECTION 28-9501.
- 24 (g) The tax imposed by this Section shall not include arranging transportation as a  
25 convenience to a person's customers if that person is not otherwise engaged in

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1 the business of transporting persons, freight or property for hire. This exception  
2 does not apply to businesses that dispatch vehicles pursuant to customer orders  
3 and send the billings and receive the payments associated with that activity,  
4 including when the transportation is performed by third party independent  
5 contractors. For the purposes of this paragraph, "arranging" includes billing for or  
6 collecting transportation charges from a person's customers on behalf of the  
7 persons providing the transportation.  
8

9 **Section XIII. Model City Tax Code Section 480 is amended as follows, with an effective**  
10 **date of August 1, 2015.**

11  
12 **Sec. \_\_\_-480. Utility services.**

13 (a) The tax rate shall be at an amount equal to \_\_\_\_\_ percent (\_\_\_%) of the gross  
14 income from the business activity upon every person engaging or continuing in  
15 the business of producing, providing, or furnishing utility services, including  
16 electricity, electric lights, current, power, gas (natural or artificial), or water to:

- 17 (1) consumers or ratepayers who reside within the City.  
18 (2) (Reserved)

19 **++(Local Option #GG:**

20 (2) consumers or ratepayers of this City, whether within the City or without, to  
21 the extent that this City provides such persons utility services, excluding  
22 consumers or ratepayers who are residents of another city or town which  
23 levies an equivalent excise tax upon this City for providing such utility  
24 services to such persons.)++

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1 (b) Exclusion of certain sales of natural gas to a public utility. Notwithstanding the  
2 provisions of subsection (a) above, the gross income derived from the sale of  
3 natural gas to a public utility for the purpose of generation of power to be  
4 transferred by the utility to its ratepayers shall be considered a retail sale of  
5 tangible personal property subject to Sections \_\_\_-460 and \_\_\_-465, and not  
6 considered gross income taxable under this Section.

7 (c) Resale utility services. Sales of utility services to another provider of the same  
8 utility services for the purpose of providing such utility services either to another  
9 properly licensed utility provider or directly to such purchaser's customers or  
10 ratepayers shall be exempt and deductible from the gross income subject to the  
11 tax imposed by this Section, provided that the purchaser is properly licensed by  
12 all applicable taxing jurisdictions to engage or continue in the business of  
13 providing utility services, and further provided that the seller maintains proper  
14 documentation, in a manner similar to that for sales for resale, of such  
15 transactions.

16 (d) Tax credit offset for franchise fees. There shall be allowed as an offset any  
17 franchise fees paid to the City pursuant to the terms of a franchise agreement.  
18 However, such offset shall not be allowed against taxes imposed by any other  
19 Section of this Chapter. Such offsets shall not be deemed in conflict with or  
20 violation of subsection \_\_\_-400(b).

21 **\*\* (Model Option #13:**

22 (d) (Reserved)\*\*

23 (e) The tax imposed by this Section shall not apply to sales of utility services to a  
24 qualifying hospital, qualifying community health center or a qualifying health care

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1 organization, except when sold for use in activities resulting in gross income from  
2 unrelated business income as that term is defined in 26 U.S.C. Section 512.

3 (f) The tax imposed by this Section shall not apply to sales of natural gas or  
4 liquefied petroleum gas used to propel a motor vehicle.

5 (g) The tax imposed by this Section shall not apply to:

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

12 (2) revenues received by any person or persons owning a utility system in  
13 the form of reimbursement or contribution compensation for property and  
14 equipment installed to provide utility access to, on or across the land of  
15 an actual utility consumer if the property and equipment become the  
16 property of the utility. This exclusion shall not exceed the value of such  
17 property and equipment.

18 (h) The tax imposed by this Section shall not apply to sales of alternative fuel as  
19 defined in A.R.S. Section 1-215, to a used oil fuel burner who has received a  
20 Department of Environmental Quality permit to burn used oil or used oil fuel  
21 under A.R.S. Section 49-426 or [A.R.S. Section 49-480](#).

22 (i) The tax imposed by this Section shall not apply to sales or other transfers of  
23 renewable energy credits or any other unit created to track energy derived from  
24 renewable energy resources. For the purposes of this paragraph, "renewable  
25 energy credit" means a unit created administratively by the corporation

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1 commission or governing body of a public power utility to track kilowatt hours of  
2 electricity derived from a renewable energy resource or the kilowatt hour  
3 equivalent of conventional energy resources displaced by distributed renewable  
4 energy resources.

5 (j) The tax imposed by this Section shall not apply to the portion of gross proceeds  
6 of sales or gross income attributable to transfers of electricity by any retail  
7 electric customer owning a solar photovoltaic energy generating system to an  
8 electric distribution system, if the electricity transferred is generated by the  
9 customer's system.

10 (k) (Reserved)

11 **++(Local Option #PP:**

12 (k) The tax imposed by this Section shall not apply to the gross proceeds of sales or  
13 gross income derived from ~~THE BUSINESS OF PRODUCING, PROVIDING OR~~  
14 ~~FURNISHING~~ electricity, ~~ELECTRIC LIGHTS, CURRENT, POWER,~~ natural gas  
15 ~~OR LIQUEFIED PETROLEUM GAS SOLD~~ to:

16 (1) a ~~QUALIFIED~~ manufacturing or smelting ~~BUSINESS, A UTILITY THAT~~  
17 ~~CLAIMS THIS DEDUCTION SHALL REPORT EACH MONTH, ON A~~  
18 ~~FORM PRESCRIBED BY THE DEPARTMENT OF REVENUE, THE~~  
19 ~~NAME AND ADDRESS OF EACH QUALIFIED MANUFACTURING OR~~  
20 ~~SMELTING BUSINESS FOR WHICH THIS DEDUCTION IS TAKEN.~~ This  
21 paragraph ~~APPLIES~~ to gas transportation services. For the purposes of  
22 this paragraph:

23 (A) "Gas transportation services" means the services of transporting  
24 natural gas to a natural gas customer or to a natural gas

**Deleted:** sales of

**Deleted:** or

**Deleted:** business that is principally engaged in

**Deleted:** operations and that uses at least fifty-one per cent of the electricity or natural gas in the manufacturing or smelting operations.

**Deleted:** does not apply

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1 distribution facility if the natural gas was purchased from a  
2 supplier other than the utility.

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

**Deleted:** 2.

**Deleted:** processing, fabricating,

10 (C) "QUALIFIED MANUFACTURING OR SMELTING BUSINESS"

**Deleted:** 3.

11 MEANS ONE OF THE FOLLOWING:

**Deleted:** "Principally engaged" means at least fifty-one per cent of the business is a manufacturing or smelting operation.

12 (i) A BUSINESS THAT MANUFACTURES OR SMELTS  
13 TANGIBLE PRODUCTS IN THIS STATE, OF WHICH AT  
14 LEAST FIFTY-ONE PERCENT OF THE  
15 MANUFACTURED OR SMELTED PRODUCTS WILL BE  
16 EXPORTED OUT-OF-STATE FOR INCORPORATION  
17 INTO ANOTHER PRODUCT OR SOLD OUT-OF-STATE  
18 FOR A FINAL SALE.

19 (ii) A BUSINESS THAT DERIVES AT LEAST FIFTY-ONE  
20 PERCENT OF ITS GROSS INCOME FROM THE SALE  
21 OF MANUFACTURED OR SMELTED PRODUCTS  
22 MANUFACTURED OR SMELTED BY THE BUSINESS.

23 (iii) A BUSINESS THAT USES AT LEAST FIFTY-ONE  
24 PERCENT OF ITS SQUARE FOOTAGE IN THIS STATE  
25 FOR MANUFACTURING OR SMELTING AND BUSINESS

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1 ACTIVITIES DIRECTLY RELATED TO

2 MANUFACTURING OR SMELTING.

3 (iv) A BUSINESS THAT EMPLOYS AT LEAST FIFTY-ONE

4 PERCENT OF ITS WORKFORCE IN THIS STATE IN

5 MANUFACTURING OR SMELTING AND BUSINESS

6 ACTIVITIES DIRECTLY RELATED TO

7 MANUFACTURING OR SMELTING.

8 (v) A BUSINESS THAT USES AT LEAST FIFTY-ONE

9 PERCENT OF THE VALUE OF ITS CAPITALIZED

10 ASSETS IN THIS STATE, AS REFLECTED ON THE

11 BUSINESS'S BOOKS AND RECORDS, FOR

12 MANUFACTURING OR SMELTING AND BUSINESS

13 ACTIVITIES DIRECTLY RELATED TO

14 MANUFACTURING OR SMELTING.

15 (D) "Smelting" means to melt or fuse a metalliferous mineral, often

16 with an accompanying chemical change, usually to separate the  
17 metal.

18 (2) A BUSINESS THAT OPERATES AN INTERNATIONAL OPERATIONS

19 CENTER IN THIS STATE AND THAT IS CERTIFIED BY THE ARIZONA

20 COMMERCE AUTHORITY PURSUANT TO A.R.S. SECTION 41-

21 1520.)++

Deleted: 4.

22  
23 **Section XIV. Model City Tax Code Section 530 is amended as follows, with an effective**  
24 **date of January 1, 2015.**  
25

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1 **Sec. \_\_\_-530. When tax due; when delinquent; verification of return; extensions.**

2 (a) Except as provided elsewhere in this Section, the taxes shall be due and payable  
3 monthly on or before the twentieth (20th) day of the month next succeeding the  
4 month in which the tax accrues.

5 (B) ANY PERSON WHO IS ENGAGED IN OR CONDUCTING BUSINESS IN TWO  
6 OR MORE LOCATIONS OR UNDER TWO OR MORE BUSINESS NAMES  
7 SHALL FILE THE RETURN REQUIRED UNDER THIS CHAPTER BY  
8 ELECTRONIC MEANS.

9 (C) THE DEPARTMENT, FOR ANY TAXPAYER WHOSE ESTIMATED ANNUAL  
10 LIABILITY FOR TAXES IMPOSED OR ADMINISTERED BY A.R.S TITLE 42,  
11 CHAPTER 5, ARTICLE 1 OR A.R.S. TITLE 42, CHAPTER 6 IS BETWEEN TWO  
12 THOUSAND DOLLARS AND EIGHT THOUSAND DOLLARS, SHALL  
13 AUTHORIZE SUCH TAXPAYER TO PAY SUCH TAXES ON A QUARTERLY  
14 BASIS. THE DEPARTMENT, FOR ANY TAXPAYER WHOSE ESTIMATED  
15 ANNUAL LIABILITY FOR TAXES IMPOSED OR ADMINISTERED BY A.R.S  
16 TITLE 42, CHAPTER 5, ARTICLE 1 OR A.R.S. TITLE 42, CHAPTER 6 IS LESS  
17 THAN TWO THOUSAND DOLLARS SHALL AUTHORIZE SUCH TAXPAYER  
18 TO PAY SUCH TAXES ON AN ANNUAL BASIS.

19 (D) Delinquency Date. THE TAXES LEVIED UNDER THIS CHAPTER WILL BE  
20 CONSIDERED DELINQUENT IN ACCORDANCE WITH A.R.S. SECTION 42-  
21 5014. AS FOLLOWS:

22 (1) FOR TAXPAYERS THAT ARE REQUIRED OR ELECT TO FILE AND  
23 PAY ELECTRONICALLY IN ANY MONTH, IF NOT RECEIVED BY THE  
24 DEPARTMENT ON OR BEFORE THE LAST BUSINESS DAY OF THE  
25 MONTH.

**Deleted:** (1) Quarterly returns. The Tax Collector may authorize a taxpayer whose reporting history indicates an estimated annual City Privilege and Use Tax liability on taxable gross income in excess of five thousand dollars (\$5,000.00) but less than fifty thousand dollars (\$50,000.00) to file returns on a calendar-quarterly basis. The taxes for each calendar quarter shall be due and payable on or before the twentieth (20th) day of the month next succeeding the end of each calendar quarter.¶

(2) Annual returns. The Tax Collector may authorize a taxpayer whose reporting history indicates an estimated annual City Privilege and Use Tax liability on taxable gross income of not more than five thousand dollars (\$5,000.00) to file returns for such taxes on a calendar-annual basis. The taxes for each calendar year shall be due and payable on or before the twentieth (20th) day of January of the following year.¶

**Deleted:** Special Requirements of taxpayers filing quarterly or annual returns. No taxpayer may report on a quarterly or annual basis until he has established, to the Tax Collector's satisfaction, six (6) months reporting history. It is the taxpayer's responsibility to notify the Tax Collector and increase his reporting frequency (to quarterly or monthly as applicable) when his taxable income or tax due exceeds the maximum limits for his current reporting frequency. Failure to do so may be deemed negligence or evasion, and penalties may apply. Failure to file returns timely, without good cause shown to the satisfaction of the Tax Collector, is sufficient cause for the Tax Collector to deny future filings by the taxpayer on a quarterly or annual basis.

**Deleted:** (c)

**Deleted:** Except as provided in subsection (d) below, all returns and remittances received within the Tax Collector's office on or before the last business day of the month when due shall be regarded as timely filed. The start of business of the first business day following the month when due shall be the delinquency date. It shall be the taxpayer's responsibility to cause his return and remittance to be timely received. Mailing the return or remittance on or before the due date or delinquency date does not relieve the taxpayer of the responsibility of causing his return or remittance to be received by the last business day of the month when due.

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1 (2) FOR ALL OTHER TAXPAYERS, IF NOT RECEIVED BY THE  
2 DEPARTMENT ON OR BEFORE THE BUSINESS DAY PRECEDING  
3 THE LAST BUSINESS DAY OF THE MONTH.

4 (E) Jeopardy reporting. If the Tax Collector determines that the collection of any tax  
5 due to the City is in jeopardy, the Tax Collector may direct the taxpayer to file his  
6 return and remit the tax on a weekly, daily, or transaction-by-transaction basis.  
7 Such return and remittance shall be due upon the date fixed by the Tax Collector,  
8 and the "delinquency date" shall be the following day.

Deleted: (d)

9 (F) Extensions. The Tax Collector may extend the time for filing a return, for good  
10 cause shown, and only when requested in writing and received by the Tax  
11 Collector prior to the tax due date. However, the time for filing such return shall  
12 not be extended beyond the last business day of the month next succeeding the  
13 due date of such return. In such cases, only the penalties for late filing and late  
14 payment may be waived by the Tax Collector for filing and payment within the  
15 extension period. Notwithstanding the granting of an extension, the interest  
16 payable for late payment of taxes shall be paid for the period commencing upon  
17 the original delinquency date and ending on the date the tax is paid. The interest  
18 may not be waived by the Tax Collector.

Deleted: (e)

19  
20 **Section XV. Model City Tax Code Section 660 is amended as follows, with the following**  
21 **effective dates per subsection: (k) January 1, 2015; (ee) January 1, 2018; (ss) August 1,**  
22 **2015; (tt) July 24, 2014; (uu) September 12, 2013; (vv) December 1, 2017; (ww) August 3,**  
23 **2018; (yy) August 3, 2018.**

24  
25 **Sec. \_\_\_-660. Use tax: exemptions.**

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1 The storage or use in this City of the following tangible personal property is exempt from the  
2 Use Tax imposed by this Article:

3 (a) tangible personal property brought into the City by an individual who was not a  
4 resident of the City at the time the property was acquired for his own use, if the  
5 first actual use of such property was outside the City, unless such property is  
6 used in conducting a business in this City.

7 (b) tangible personal property, the value of which does not exceed the amount of  
8 one thousand dollars (\$1,000) per item, acquired by an individual outside the  
9 limits of the City for his personal use and enjoyment.

10 (c) charges for delivery, installation, or other customer services, as prescribed by  
11 Regulation.

12 (d) charges for repair services, as prescribed by Regulation.

13 (e) separately itemized charges for warranty, maintenance, and service contracts.

14 (f) prosthetics.

15 (g) income-producing capital equipment.

16 (h) rental equipment and rental supplies.

17 (i) mining and metallurgical supplies.

18 (j) motor vehicle fuel and use fuel which are used upon the highways of this State  
19 and upon which a tax has been imposed under the provisions of Article I or II,  
20 Chapter 16, Title 28, Arizona Revised Statutes.

21 (k) tangible personal property purchased by:  
22 (1) a construction contractor, but not an owner-builder, when such person  
23 holds a valid Privilege License for engaging or continuing in the business  
24 of construction contracting, and where the property acquired is

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1 incorporated into any structure or improvement to real property in  
2 fulfillment of a construction contract.

3 (2) A PERSON THAT IS NOT SUBJECT TO TAX UNDER SECTION  
4 415(B)(12) AND THAT HAS BEEN PROVIDED A COPY OF A  
5 CERTIFICATE UNDER A.R.S. SECTION 42-5009, SUBSECTION L, IF  
6 THE PROPERTY SO SOLD IS INCORPORATED OR FABRICATED BY  
7 THE PERSON INTO THE REAL PROPERTY, STRUCTURE, PROJECT,  
8 DEVELOPMENT OR IMPROVEMENT DESCRIBED IN THE  
9 CERTIFICATE.

- 10 (l) sales of motor vehicles to nonresidents of this State for use outside this State if  
11 the vendor ships or delivers the motor vehicle to a destination outside this State.
- 12 (m) tangible personal property which directly enters into and becomes an ingredient  
13 or component part of a product sold in the regular course of the business of job  
14 printing, manufacturing, or publication of newspapers, magazines or other  
15 periodicals. Tangible personal property which is consumed or used up in a  
16 manufacturing, job printing, publishing, or production process is not an ingredient  
17 nor component part of a product.
- 18 (n) rental, leasing, or licensing for use of film, tape, or slides by a theater or other  
19 person taxed under Section \_\_\_-410, or by a radio station, television station, or  
20 subscription television system.
- 21 (o) food served to patrons for a consideration by any person engaged in a business  
22 properly licensed and taxed under Section \_\_\_-455, but not food consumed by  
23 owners, agents, or employees of such business.
- 24 (p) tangible personal property acquired by a qualifying hospital, qualifying community  
25 health center or a qualifying health care organization, except when the property

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1 is in fact used in activities resulting in gross income from unrelated business  
2 income as that term is defined in 26 U.S.C. Section 512.

3 (q) (Reserved) (See Mesa City Page).

4 (r) the following tangible personal property purchased by persons engaging or  
5 continuing in the business of farming, ranching, or feeding livestock, poultry or  
6 ratites:

7 (1) seed, fertilizer, fungicides, seed treating chemicals, and other similar  
8 chemicals.

9 (2) feed for livestock, poultry or ratites, including salt, vitamins, and other  
10 additives to such feed.

11 (3) livestock, poultry or ratites purchased or raised for slaughter, but not  
12 including livestock purchased or raised for production or use, such as  
13 milch cows, breeding bulls, laying hens, riding or work horses.

14 (4) (Reserved)

15 **++(Local Option #W:**

16 (4) neat animals, horses, asses, sheep, swine, or goats acquired for the  
17 purpose of becoming breeding or production stock, including the  
18 acquisition of breedings or ownership shares in such animals.)++

19 This exemption shall not be construed to include machinery, equipment, fuels,  
20 lubricants, pharmaceuticals, repair and replacement parts, or other items used or  
21 consumed in the running, maintenance, or repair of machinery, equipment,  
22 buildings, or structures used or consumed in the business of farming, ranching,  
23 or feeding of livestock, poultry or ratites.

24 **\*\* (Model Option #10:**

25 (r) (Reserved)

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- 1 (1) (Reserved)
- 2 (2) (Reserved)
- 3 (3) (Reserved)
- 4 (4) (Reserved)\*\*
- 5 (s) groundwater measuring devices required by A.R.S. Section 45-604.
- 6 (t) (Reserved)
- 7 **++(Local Option #X:**
- 8 (t) paintings, sculptures, or similar works of fine art, provided that such works of fine
- 9 art are purchased from the original artist; and provided further that "art creations",
- 10 such as jewelry, macramé, glasswork, pottery, woodwork, metalwork, furniture,
- 11 and clothing, when such "art creations" have a dual purpose, both aesthetic and
- 12 utilitarian, are not exempt, whether purchased from the artist or from another.)++
- 13 (u) aircraft acquired for use outside the State, as prescribed by Regulation.
- 14 (v) ~~food products SOLD by FOOD producers as provided for by A.R.S. Section 3-~~
- 15 ~~561, 3-562 and 3-563.~~
- 16 (w) (Reserved)
- 17 **++(Local Option #Z:**
- 18 (w) textbooks required by any State university or community college, when acquired
- 19 from a bookstore.)++
- 20 (x) food and drink provided by a person who is engaged in business that is classified
- 21 under the restaurant classification without monetary charge to its employees for
- 22 their own consumption on the premises during such employees' hours of
- 23 employment.
- 24 (y) (Reserved)
- 25 **++(Local Option #HH:**

Deleted: sales of

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- 1 (y) Tangible personal property donated to an organization or entity qualifying as an  
2 exempt organization under 26 U.S.C. Section 501(c)(3); if and only if:  
3 (1) the donor is engaged or continuing in a business activity subject to a tax  
4 imposed by Article IV; and  
5 (2) the donor originally purchased the donated property for resale in the  
6 ordinary course of the donor's business; and  
7 (3) the donor obtained from the donee a letter or other evidence satisfactory  
8 to the Tax Collector of qualification under 26 U.S.C. Section 501(c)(3)  
9 from the Internal Revenue Service or other appropriate federal agency;  
10 and  
11 (4) the donor maintains, and provides upon demand, such evidence to the  
12 Tax Collector, in a manner similar to other documentation required under  
13 Article III.)++  
14 (z) (Reserved)

15 **++(Local Option #JJ:**

- 16 (z) tangible personal property used or stored by this City.)++  
17 (aa) tangible personal property used in remediation contracting as defined in Section  
18 \_\_\_\_-100 and Regulation \_\_\_\_-100.5.  
19 (bb) materials that are purchased by or for publicly funded libraries including school  
20 district libraries, charter school libraries, community college libraries, state  
21 university libraries or federal, state, county or municipal libraries for use by the  
22 public as follows:  
23 (1) printed or photographic materials.  
24 (2) electronic or digital media materials.

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1 (cc) food, beverages, condiments and accessories used for serving food and  
2 beverages by a commercial airline, as defined in A.R.S. Section 42-5061, that  
3 serves the food and beverages to its passengers, without additional charge, for  
4 consumption in flight. For the purposes of this subsection, "accessories" means  
5 paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper  
6 sacks or other disposable containers, or other items which facilitate the  
7 consumption of the food.

8 (dd) wireless telecommunication equipment that is held for sale or transfer to a  
9 customer as an inducement to enter into or continue a contract for  
10 telecommunication services that are taxable under Section \_\_\_\_-470.

11 (ee) TANGIBLE PERSONAL PROPERTY SOLD BY A NONPROFIT  
12 ORGANIZATION THAT IS EXEMPT FROM TAXATION UNDER SECTION  
13 501(C)(3), 501(C)(4) OR 501(C)(6) OF THE INTERNAL REVENUE CODE IF  
14 THE ORGANIZATION IS ASSOCIATED WITH A MAJOR LEAGUE BASEBALL  
15 TEAM OR A NATIONAL TOURING PROFESSIONAL GOLFING ASSOCIATION  
16 AND NO PART OF THE ORGANIZATION'S NET EARNINGS INURES TO THE  
17 BENEFIT OF ANY PRIVATE SHAREHOLDER OR INDIVIDUAL. THIS  
18 PARAGRAPH DOES NOT APPLY TO AN ORGANIZATION THAT IS OWNED,  
19 MANAGED OR CONTROLLED, IN WHOLE OR IN PART, BY A MAJOR  
20 LEAGUE BASEBALL TEAM, OR ITS OWNERS, OFFICERS, EMPLOYEES OR  
21 AGENTS, OR BY A MAJOR LEAGUE BASEBALL ASSOCIATION OR  
22 PROFESSIONAL GOLFING ASSOCIATION, OR ITS OWNERS, OFFICERS,  
23 EMPLOYEES OR AGENTS, UNLESS THE ORGANIZATION CONDUCTED OR  
24 OPERATED EXHIBITION EVENTS IN THIS STATE BEFORE JANUARY 1,

Deleted: (A)(49)

Deleted: (Reserved)

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2018 THAT WERE EXEMPT FROM TRANSACTION PRIVILEGE TAX UNDER  
A.R.S. SECTION 42-5073.

- 1  
2  
3 (ff) alternative fuel as defined in A.R.S. Section 1-215, by a used oil fuel burner who  
4 has received a Department of Environmental Quality permit to burn used oil or  
5 used oil fuel under A.R.S. Section 49-426 or A.R.S. Section 49-480.
- 6 (gg) food, beverages, condiments and accessories purchased by or for a public  
7 educational entity, pursuant to any of the provisions of Title 15, Arizona Revised  
8 Statutes, including a regularly organized private or parochial school that offers an  
9 educational program for grade twelve (12) or under which may be attended in  
10 substitution for a public school pursuant to A.R.S. SECTION 15-802; to the  
11 extent such items are to be prepared or served to individuals for consumption on  
12 the premises of a public educational entity during school hours. For the purposes  
13 of this subsection, "accessories" means paper plates, plastic eating utensils,  
14 napkins, paper cups, drinking straws, paper sacks or other disposable  
15 containers, or other items which facilitate the consumption of the food.
- 16 (hh) personal hygiene items purchased by a person engaged in the business of and  
17 subject to tax under Section \_\_\_-444 of this code if the tangible personal property  
18 is furnished without additional charge to and intended to be consumed by the  
19 person during his occupancy.
- 20 (ii) the diversion of gas from a pipeline by a person engaged in the business of  
21 operating a natural or artificial gas pipeline, for the sole purpose of fueling  
22 compressor equipment to pressurize the pipeline, is not a sale of the gas to the  
23 operator of the pipeline.
- 24 (jj) food, beverages, condiments and accessories purchased by or for a nonprofit  
25 charitable organization that has qualified as an exempt organization under 26

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1 U.S.C. Section 501(c)(3) and regularly serves meals to the needy and indigent  
2 on a continuing basis at no cost. For the purposes of this subsection,  
3 "accessories" means paper plates, plastic eating utensils, napkins, paper cups,  
4 drinking straws, paper sacks or other disposable containers, or other items which  
5 facilitate the consumption of the food.

6 (kk) sales of motor vehicles that use alternative fuel if such vehicle was manufactured  
7 as a diesel fuel vehicle and converted to operate on alternative fuel and sales of  
8 equipment that is installed in a conventional diesel fuel motor vehicle to convert  
9 the vehicle to operate on an alternative fuel, as defined in A.R.S. Section 1-215.

10 (ll) the storage, use or consumption of tangible personal property in the city or town  
11 by a school district or charter school.

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

19 (nn) magazines or other periodicals or other publications by this state to encourage  
20 tourist travel.

21 (oo) paper machine clothing, such as forming fabrics and dryer felts, sold to a paper  
22 manufacturer and directly used or consumed in paper manufacturing.

23 (pp) overhead materials or other tangible personal property that is used in performing  
24 a contract between the United States government and a manufacturer, modifier,  
25 assembler or repairer, including property used in performing a subcontract with a

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1 government contractor who is a manufacturer, modifier, assembler or repairer, to  
2 which title passes to the government under the terms of the contract or  
3 subcontract.

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

14 (rr) machinery, equipment, materials and other tangible personal property used  
15 directly and predominantly to construct a qualified environmental technology  
16 manufacturing, producing or processing facility as described in A.R.S. Section  
17 41-1514.02. This subsection applies for ten full consecutive calendar or fiscal  
18 years after the start of initial construction.

19 (ss) (Reserved)

20 **++(Local Option #PP**

21 (ss) The purchase price of electricity, ~~natural gas~~ **OR LIQUEFIED PETROLEUM GAS**  
22 ~~by:~~  
23 ~~(1) a QUALIFIED manufacturing or smelting BUSINESS. This PARAGRAPH~~  
24 ~~APPLIES to gas transportation services. For the purposes of this~~  
25 ~~PARAGRAPH:~~

**Deleted:** or

**Deleted:** used

**Deleted:** business that is principally engaged in

**Deleted:** operations and that uses at least fifty-one per cent of the electricity or natural gas in the manufacturing or smelting operations.

**Deleted:** subsection

**Deleted:** does not apply

**Deleted:** subsection

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1 (A) "Gas transportation services" means the services of transporting  
2 natural gas to a natural gas customer or to a natural gas  
3 distribution facility if the natural gas was purchased from a  
4 supplier other than the utility.

Deleted: 1.

5 (B) "Manufacturing" means the performance as a business of an  
6 integrated series of operations that places tangible personal  
7 property in a form, composition or character different from that in  
8 which it was acquired and transforms it into a different product  
9 with a distinctive name, character or use. Manufacturing does not  
10 include job printing, PUBLISHING, PACKAGING, mining,  
11 generating electricity or operating a restaurant.

Deleted: 2.

Deleted: processing, fabricating,

12 (C) "QUALIFIED MANUFACTURING OR SMELTING BUSINESS"

Deleted: 3.

13 MEANS ONE OF THE FOLLOWING:

Deleted: "Principally engaged" means at least fifty-one per cent of the business is a manufacturing or smelting operation.

14 (i) A BUSINESS THAT MANUFACTURES OR SMELTS  
15 TANGIBLE PRODUCTS IN THIS STATE, OF WHICH AT  
16 LEAST FIFTY-ONE PERCENT (51%) OF THE  
17 MANUFACTURED OR SMELTED PRODUCTS WILL BE  
18 EXPORTED OUT-OF-STATE FOR INCORPORATION  
19 INTO ANOTHER PRODUCT OR SOLD OUT-OF-STATE  
20 FOR A FINAL SALE.

21 (ii) A BUSINESS THAT DERIVES AT LEAST FIFTY-ONE  
22 PERCENT (51%) OF ITS GROSS INCOME FROM THE  
23 SALE OF MANUFACTURED OR SMELTED PRODUCTS  
24 MANUFACTURED OR SMELTED BY THE BUSINESS.

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1                    (iii) A BUSINESS THAT USES AT LEAST FIFTY-ONE  
2                    PERCENT OF ITS SQUARE FOOTAGE IN THIS STATE  
3                    FOR MANUFACTURING OR SMELTING AND BUSINESS  
4                    ACTIVITIES DIRECTLY RELATED TO  
5                    MANUFACTURING OR SMELTING.

6                    (iv) A BUSINESS THAT EMPLOYS AT LEAST FIFTY-ONE  
7                    PERCENT (51%) OF ITS WORKFORCE IN THIS STATE  
8                    IN MANUFACTURING OR SMELTING AND BUSINESS  
9                    ACTIVITIES DIRECTLY RELATED TO  
10                   MANUFACTURING OR SMELTING.

11                   (v) A BUSINESS THAT USES AT LEAST FIFTY-ONE  
12                   PERCENT (51%) OF THE VALUE OF ITS CAPITALIZED  
13                   ASSETS IN THIS STATE, AS REFLECTED ON THE  
14                   BUSINESS'S BOOKS AND RECORDS, FOR  
15                   MANUFACTURING OR SMELTING AND BUSINESS  
16                   ACTIVITIES DIRECTLY RELATED TO  
17                   MANUFACTURING OR SMELTING.

18                   (D) "Smelting" means to melt or fuse a metalliferous mineral, often  
19                   with an accompanying chemical change, usually to separate the  
20                   metal.

Deleted: 4.

21                   (2) A BUSINESS THAT OPERATES AN INTERNATIONAL OPERATIONS  
22                   CENTER IN THIS STATE AND THAT IS CERTIFIED BY THE ARIZONA  
23                   COMMERCE AUTHORITY PURSUANT TO A.R.S. SECTION 41-  
24                   1520.)++

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1 (TT) THE TRANSFER OF TITLE OR POSSESSION OF COAL BACK AND FORTH  
2 BETWEEN AN OWNER OR OPERATOR OF A POWER PLANT AND A  
3 PERSON WHO IS RESPONSIBLE FOR REFINING COAL IF BOTH OF THE  
4 FOLLOWING APPLY:

5 (1) THE TRANSFER OF TITLE OR POSSESSION OF THE COAL IS FOR  
6 THE PURPOSE OF REFINING THE COAL; AND

7 (2) THE TITLE OR POSSESSION OF THE COAL IS TRANSFERRED BACK  
8 TO THE OWNER OR OPERATOR OF THE POWER PLANT AFTER  
9 COMPLETION OF THE COAL REFINING PROCESS. FOR THE  
10 PURPOSES OF THIS SUBDIVISION, "COAL REFINING PROCESS"  
11 MEANS THE APPLICATION OF A COAL ADDITIVE SYSTEM THAT  
12 AIDS THE REDUCTION OF POWER PLANT EMISSIONS DURING THE  
13 COMBUSTION OF COAL AND THE TREATMENT OF FLUE GAS.

14 (UU) COMPUTER DATA CENTER EQUIPMENT PURCHASED BY THE OWNER,  
15 OPERATOR OR QUALIFIED COLOCATION TENANT OF THE A COMPUTER  
16 DATA CENTER THAT IS CERTIFIED BY THE ARIZONA COMMERCE  
17 AUTHORITY UNDER A.R.S. SECTION 41-1519 OR AN AUTHORIZED AGENT  
18 OF THE OWNER, OPERATOR OR QUALIFIED COLOCATION TENANT  
19 DURING THE QUALIFICATION PERIOD FOR USE IN THE QUALIFIED  
20 COMPUTER DATA CENTER. FOR THE PURPOSES OF THIS PARAGRAPH,  
21 "COMPUTER DATA CENTER", "COMPUTER DATA CENTER EQUIPMENT",  
22 "QUALIFICATION PERIOD" AND "QUALIFIED COLOCATION TENANT" HAVE  
23 THE SAME MEANINGS PRESCRIBED IN A.R.S. SECTION 41-1519.

24 (VV) (RESERVED)

25 ++(Local Option #LL

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1 (VV) JET FUEL USE TAX IMPOSED UNDER SECTION -610 ON THE  
2 STORAGE, USE OR CONSUMPTION IN THIS CITY OF JET FUEL  
3 PURCHASED FROM A RETAILER IN ANY CASE IN WHICH THE TAX  
4 IMPOSED UNDER SECTION -422 HAS NOT BEEN PAID IS LIMITED TO  
5 AMOUNTS OF NOT MORE THAN TEN MILLION GALLONS OF JET FUEL  
6 PURCHASED IN EACH CALENDAR YEAR. PURCHASES IN EXCESS OF TEN  
7 MILLION GALLONS PER YEAR ARE DEEMED EXEMPT.)++

8 (WW) THE PURCHASE MANUFACTURE, WHOLESALE OR DISTRIBUTION TO OR  
9 AMONG ANY WHOLESALERS, DISTRIBUTORS OR RETAILERS, OF FOOD  
10 ITEMS INTENDED FOR HUMAN CONSUMPTION AS DEFINED BY RULE  
11 ADOPTED PURSUANT TO A.R.S. SECTION 42-5106 OR ITEMS  
12 PRESCRIBED BY A.R.S. SECTION 42-5106, SUBSECTION D FOR HOME  
13 CONSUMPTION OR FOR CONSUMPTION ON THE PREMISES.

14 (YY) THE PURCHASE OF ANY CONTAINER OR PACKAGING USED  
15 EXCLUSIVELY FOR TRANSPORTING, PROTECTING OR CONSUMING  
16 FOOD ITEMS INTENDED FOR HUMAN CONSUMPTION AS DEFINED BY  
17 RULE ADOPTED PURSUANT TO A.R.S. SECTION 42-5106 OR ITEMS  
18 PRESCRIBED BY A.R.S. SECTION 42-5106, SUBSECTION D FOR HOME  
19 CONSUMPTION OR FOR CONSUMPTION ON THE PREMISES.