

ATTACHMENT A

This document details the various changes incorporated into the local version of the Model City Tax Code approved by the Municipal Tax Code Commission in public hearings held in the years 2018 and 2019. These changes are summarized below by Ordinance Section number, identifying the bills that initiated them, and the statutory effective dates per item.

The amendments titled “2014-2018 Legislative Actions Amendment” incorporates several changes to the local version of the Model City Tax Code that relate to statutory changes made by the legislature during its regular sessions between years 2014 and 2018. These amendments were approved by the Municipal Tax Code Commission in a public hearing held on Friday, December 14th, 2018.

2014-2018 Legislative Actions Amendments

Section I: Amends Sec. 14-110, Definitions: Income-producing capital equipment.

Legislation (Year: Bill Numbers) – 2015: SB1446; 2016: HB2133, HB2533; 2017: SB1416

The definition of “income producing capital equipment” is expanded by these four bills. First, two clauses are amended to ensure that contractors performing maintenance, repair, replacement, and alteration (MRRA) jobs can purchase otherwise exempt machinery and equipment for projects involving telecommunications, effective January 1, 2015 (SB1446). Second, add agricultural aircraft such as crop dusters to the list of exempt farm machinery and equipment, effective retroactively from April 17, 1985 (HB2133). Third, the subsection related to aircraft, navigational and communication instruments and accessories is expanded to include charter planes, helicopters, and other air tour operators who are exempt from holding a Federal certificate of public convenience, effective retroactively from June 1, 1998 (HB2533). Finally, aircraft exemptions for common carriers are amended to include fractional ownership scenarios, effective January 1, 2018 (SB1416).

Legislative Bills 2014 - 2018						
Year	Chapter	Bill #	Effective Date	A.R.S. Section 42-XXXX	PCC Section 14-XXXX	Description
2015	4	SB1446	1/1/2015	9-467 6004/ 5005/5008.1/5009/ 5010/5061/5075/5159	110/415/415.1/ 465/660	Building permit requirements; create liability for Retail equivalent on MRRA used in Prime; clarify Retail exemptions for Contractors/MRRA; revises MRRA to limit "alteration", etc.
2016	181	HB2133	4/17/1985	5061/5159	110	Adds agricultural aircraft (crop dusters) to exempt farm equipment

2016	367	HB2533	6/1/1998	5009/5061/5159	110	Expands airline exemptions for charter aircraft/helicopters by adding carriers exempt from having a certificate of public convenience
2017	340	SB1416	1/1/2018	5061/5159	110	Adds fractional jet ownership to common carrier exemptions

Section II: Amends Sec. 14-410, Amusements, exhibitions, and similar activities.

Legislation (Year: Bill Numbers) – 2016: HB2674; 2018: SB1120

The Amusements classification is amended to add an exemption for a charity run, walk, swim, bike ride or similar event operated by a 501(c)(3) non-profit organization, effective August 6, 2016 (HB2674). Also, this section adds the exemption for events operated by groups associated with Major League Baseball or a professional golf tour and edits the language to limit application of the exemption for groups owned or controlled by a Major League team, MLB, or a pro golf tour unless they operated such events before 2018, effective from and after January 1, 2018 (SB1120). Additionally, a long-standing policy by those cities and towns that have adopted Local Option #H exempting one-on-one instruction or training as a personal service is added to the code for improved clarity. Under Local Option #H, instruction charges for health-related activities are included in the gross receipts subject to tax. Cities have long held that this applies to group instruction, but does not apply to individual instruction, such as personal training and other situations wherein the customer hires the provider for singular attention for a period of time. This addition codifies this policy and practice, effective January 1, 2019.

Legislative Bills 2014 - 2018						
Year	Chapter	Bill #	Effective date	ARS Section 42-XXXX	PCC Section 14-XXXX	Description
2016	373	HB2674	8/6/2016	5073	410	Exempts entry fees from non-profit charity races
2018	249	SB1120	1/1/2018	6004/5061/5069/ 5073/5074/5159	410/445/455/ 465/660	Edits the exemption for MLB & pro golf events

Section III: Amends Sec. 14-415, Construction contracting: construction contractors.

Legislation (Year: Bill Numbers) – 2014: HB2389, HB2415; 2015: SB1446; 2018: SB1409

As an element of the TPT Simplification bill in 2013 (HB2111), the Construction Contracting classification was modified to remove most maintenance and repair contractors from the classification, allowing them to pay tax to the vendor on the materials used in their jobs, and eliminating all other tax liability for their construction activity. Subsequent sessions included three attempts to refine the concept and rules

surrounding the taxation of materials only for “Maintenance, Repair, Replacement, and Alteration” (MRRA) projects. The changes in this section are an amalgamation of the original language in HB2111 and the three subsequent bills (HB2389, SB1446, and SB1409), arriving at conformity with the current version of Contracting at the State level in A.R.S. 42-5075. The changes related to HB2389 and SB 1446 are effective January 1, 2015. The most recent amendment (SB1409) which added an exclusion for contractors who qualify for the “handyman” exemption from R.O.C. licensing, and also simplified the definition of “Alteration” on commercial projects is effective as of January 1, 2019 (the prior definition of “Alteration” applies to jobs where the contract was entered into before January 1, 2019). In addition, a new exemption for construction of a mixed waste processing facility was also added and is effective retroactively from January 1, 2013 (HB2415).

Legislative Bills 2014 - 2018						
Year	Chapter	Bill #	Effective date	ARS Section 42-XXXX	PCC Section 14-XXXX	Description
2014	263	HB2389	1/1/2015	6001/6002/ 6004/6009/6056/ 1125/2003/2075/ 5005/5009/5014/ 5015/5074/ 5075/5102	Article III/ 415/455/462/ 530	TPT Simplification clean-up - municipal licenses/penalties; MRRA exemption certificate; electronic filing; exempt SNAP under R&B; create MRRA; SNAP under Food; transition IGA/electronic reporting; city Admin (Art. V) under state rules; initial MRRA preemption; MTHO end date; Session Law: refunds, appeals, license renewal; has multiple effective dates, only 1/1/2015 matters
2014	228	HB2415	1/1/2015 1/1/2013	5075	415	MRRA edits; 1/1/2015 Exempt mixed waste processing facility 1/1/2013
2015	4	SB1446	1/1/2015	9-467 6004/ 5005/5008.1/5009/ 5010/5061/5075/5159	110/415/415.1/ 465/660	Building permit requirements; create liability for Retail equivalent on MRRA used in Prime; clarify Retail exemptions for Contractors/MRRA; revises MRRA to limit "alteration", etc.
2018	341	SB1409	1/1/2019	6004/5075	415	Adds ROC Handyman exclusion to 415; simplifies "alteration"

Section IV: Adds Sec. 14-415.1, Liability for MRRA amounts equal to Retail transaction privilege tax due.

Legislation (Year: Bill Numbers) – 2015: SB1446

A component of the primary amendment addressing the taxation of materials only for “Maintenance, Repair, Replacement, and Alteration” (MRRA) projects was creating a mechanism for hybrid contractors (those who perform both regular Contracting jobs and also perform MRRA jobs) to efficiently purchase materials that could be used in either

job type without having to maintain two separate inventories. The solution was to allow these hybrid contractors to purchase all materials tax exempt, as if they would be used in traditional prime contracting jobs but allow them to pay tax on the “materials only” if they were used in a MRRA job. At the State level, A.R.S. 42-5008.1 was created. This required anyone who used materials purchased without tax to pay the equivalent of the Retail tax rate based on the job site for any such materials used in a MRRA job. New Section 415.1 mirrors this section of State law to apply the same principle relative to the local tax. The section is added effective January 1, 2015 to coincide with the effective date of A.R.S. 42-5008.1 (SB1446).

Legislative Bills 2014 - 2018						
Year	Chapter	Bill #	Effective date	ARS Section 42-XXXX	PCC Section 14-XXXX	Description
2015	4	SB1446	1/1/2015	9-467 6004/ 5005/5008.1/5009/ 5010/5061/5075/5159	110/415/415.1/ 465/660	Building permit requirements; create liability for Retail equivalent on MRRA used in Prime; clarify Retail exemptions for Contractors/MRRA; revises MRRA to limit "alteration", etc.

Section V: Amends Sec. 14-422, Jet fuel sales.

Legislation (Year: Bill Numbers) – 2017: HB2064

This section adds the new exemption for Jet Fuel sales, limiting the tax imposition to only the first 10 million gallons sold to any individual purchaser during a calendar year. The same limitation also applies to purchases subject to Jet Fuel Use Tax and appears in Section XV, amending Section 660 of the code. Additionally, new language is added restricting the use of funds collected from this classification to being dedicated to support the local airport or airport system in accordance with FAA rules. Both changes are effective as of December 1, 2017.

Legislative Bills 2014 - 2018						
Year	Chapter	Bill #	Effective date	ARS Section 42-XXXX	PCC Section 14-XXXX	Description
2017	50	HB2064	12/1/2017	6014	422/660	Exempts Jet Fuel over 10 million gallons; requires tax collected to be spent on airport operations

Section VI: Amends Sec. 14-445, Rental, leasing, and licensing for use of real property.

Legislation (Year: Bill Numbers) – 2015: 2147; 2018: SB1120

This section adds cable operators to utility and telecommunication companies who can exempt charges for joint pole usage to others in the same line of business, mirroring a similar new exemption for all three industries in State statute, effective August 1, 2015. This section also adds the exemption for events operated by groups associated with Major League Baseball or a professional golf tour, including the new edits to limit the application of the exemption for groups owned or controlled by a Major League team, MLB, or a pro golf tour unless they operated such events before 2018, effective from and after January 1, 2018.

Legislative Bills 2014 - 2018						
Year	Chapter	Bill #	Effective date	ARS Section 42-XXXX	PCC Section 14-XXXX	Description
2018	249	SB1120	1/1/2018	6004/5061/5069 / 5073/5074/5159	410/450/445 / 455/465/660	Edits the exemption for MLB & pro golf events

Section VII: Amends Sec. 14-450, Rental, leasing, and licensing for use of tangible personal property.

Legislation (Year: Bill Numbers) – 2015: HB2147

This section adds cable operators to utility and telecommunication companies who can exempt charges for joint pole usage to others in the same line of business, mirroring a similar new exemption for all three industries in State statute, effective August 1, 2015.

Legislative Bills 2014 - 2018						
Year	Chapter	Bill #	Effective date	ARS Section 42-XXXX	PCC Section 14-XXXX	Description
2015	72	HB2147	8/1/2015 1/1/2015	6004/5063/5064/ 5069/5071/5075	450	Adds cable operators to exemption for joint pole usage; 8/1/2015, edits definition of "replacement" under Contracting - 1/1/2015

Section VIII: Amends Sec. 14-455, Restaurants and Bars.

Legislation (Year: Bill Numbers) – 2014: HB2389; 2018: HB2484, SB1120

First, this section adds the exemption for prepared food and beverages sold to eligible seniors, homeless, or disabled persons using SNAP benefits, effective January 1, 2015 (HB2389). Second, this section adds the exemption for restaurant sales at events

operated by groups associated with Major League Baseball or a professional golf tour, including the new edits to limit the application of the exemption for groups owned or controlled by a Major League team, MLB, or a pro golf tour unless they operated such events before 2018, effective from and after January 1, 2018 (SB1120). Third, this section adds a restriction prohibiting cities and towns from imposing a discriminatory tax on any particular food or beverage item (i.e., no “soda” tax), effective August 3, 2018 (HB2484).

Legislative Bills 2014 - 2018						
Year	Chapter	Bill #	Effective date	ARS Section 42-XXXX	PCC Section 14-XXXX	Description
2014	263	HB2389	1/1/2015	6001/6002/ 6004/6009/6056/ 1125/2003/2075/5005/ 5009/5014/5015/5074/ 5075/5102	Article III/ 415/455/462/530	TPT Simplification clean-up - municipal licenses/penalties; MRRA exemption certificate; electronic filing; exempt SNAP under R&B; create MRRA; SNAP under Food; transition IGA/electronic reporting; city Admin (Art. V) under state rules; initial MRRA preemption; MTHO end date; Session Law: refunds, appeals, license renewal; has multiple effective dates, only 1/1/2015 matters
2018	17	HB2484	8/3/2018	6004/6015	455/462/ 465/660	Moves existing food preemptions into new section; prohibits any differential tax on a specific food (no soda tax allowed)
2018	249	SB1120	1/1/2018	6004/5061/5069/ 5073/5074/5159	410/445/ 455/465/660	Edits the exemption for MLB & pro golf events

Section IX: Amends Sec. 14-462, Retail sales: food for home consumption.

Legislation (Year: Bill Numbers) – 2014: HB2389; 2018: HB2484

This section adds the exemption for prepared food and beverages sold to eligible seniors, homeless, or disabled persons using SNAP benefits, effective January 1, 2015 (HB2389). Additionally, this section adds a restriction prohibiting cities and towns from imposing a discriminatory tax on any particular food or beverage item (i.e., no “soda” tax), effective August 3, 2018 (HB2484).

Legislative Bills 2014 - 2018						
Year	Chapter	Bill #	Effective date	ARS Section 42-XXXX	PCC Section 14-XXXX	Description
2014	263	HB2389	1/1/2015	6001/6002/ 6004/6009/6056/ 1125/2003/2075/5005/ 5009/5014/5015/5074/ 5075/5102	Article III/ 415/455/462/530	TPT Simplification clean-up - municipal licenses/penalties; MRRA exemption certificate; electronic filing; exempt SNAP under R&B; create MRRA; SNAP under Food; transition IGA/electronic reporting; city Admin (Art. V) under state rules; initial MRRA preemption; MTHO end date; Session Law: refunds, appeals, license renewal; has multiple effective dates, only 1/1/2015 matters
2018	17	HB2484	8/3/2018	6004/6015	455/462/ 465/660	Moves existing food preemptions into new section; prohibits any differential tax on a specific food (no soda tax allowed)

Section X: Amends Sec. 14-465, Retail sales: exemptions.

Legislation (Year: Bill Numbers) – 2014: HB2285; 2015: SB1446; 2016: HB2326, HB2536, HB2584; 2018: HB2484, SB1120

There were multiple changes to the exemptions from the Retail classification added or amended by the legislature, listed here in order of year enacted and bill number, followed by effective date and the subsection impacted.

- 1) 2014, HB2285: Added an exemption for the transfer of coal back and forth between a power plant and a coal refinery under certain circumstances, effective January 1, 2015; Subsection (ss).
- 2) 2015, SB1446: Added persons possessing a “MRRA” exemption certificate to the current exemption for sales of construction materials to a contractor, effective January 1, 2015; Subsection (k).
- 3) 2016, HB2326: Added farmers who produce animal feed to the statutory definition of “Food Producer” thus making their sales exempt from tax when selling directly to other farmers to feed their livestock, to other animal owners, or to livestock boarding facilities, effective August 6, 2016; Subsection (v).
- 4) 2016, HB2536: Created new Local Option #QQ, allowing the exemption of fine art sold by an auction house to a non-resident if shipped out-of-state, available for selection with an effective date any time from and after September 1, 2016 to match the effective date of the similar State exemption; Subsection (tt).

- 5) 2016, HB2584: Edited the requirements to qualify for the exemption of data center equipment that qualifies for tax relief offered by the Arizona Commerce Authority, effective retroactively from September 12, 2013; Subsection (uu).
- 6) 2018, HB2484: Added exemptions for the sale, manufacture or distribution among wholesalers of food for human consumption, as well any container or packaging used exclusively for transporting, protecting or consuming food items intended for human consumption (as part of the preemption against a "soda" tax), effective August 3, 2018; Subsections (vv) and (ww).
- 7) 2018, SB1120: Added the exemption for retail sales at events operated by groups associated with Major League Baseball or a professional golf tour, including the new edits to limit the application of the exemption for groups owned or controlled by a Major League team, MLB, or a pro golf tour unless they operated such events before 2018, effective from and after January 1, 2018; Subsection (y).

Note that a conditional exemption for all sales of coal has not been included at this time, as the required conditions for enactment have not been met (2018, HB2003).

Legislative Bills 2014 - 2018						
Year	Chapter	Bill #	Effective date	ARS Section 42-XXXX	PCC Section 14-XXXX	Description
2014	54	HB2285	1/1/2015	6004/5061/5072/ 5151/5159	465/660	Exempt coal transfers between the mine and refiner
2015	4	SB1446	1/1/2015	9-467 6004/ 5005/5008.1/5009/ 5010/5061/5075/5159	110/415/415.1/ 465/660	Building permit requirements; create liability for Retail equivalent on MRRA used in Prime; clarify Retail exemptions for Contractors/MRRA; revises MRRA to limit "alteration", etc.
2016	361	HB2326	8/6/2016	3-561/3-563 5009/5022/5061/5159	465/660	Adds farmers who sell livestock feed to the definition of "food producers"
2016	368	HB2536	9/1/2016	5061	465	Adds new Option #QQ for fine art sold by auction to non-resident
2016	369	HB2584	9/12/2013	6004/5061/5159	465/660	Edits exemption for data center equipment
2018	263	HB2003	1/1/2023	6004/2061/5072	465	Preemption of tax on sales of coal - <u>NOT</u> EFFECTIVE UNLESS the Navajo Nation sells its generating station before 12/31/2022
2018	17	HB2484	8/3/2018	6004/6015	455/462/ 465/660	Moves existing food preemptions into new section; prohibits any differential tax on a specific food (no soda tax allowed)
2018	249	SB1120	1/1/2018	6004/5061/5069/ 5073/5074/5159	410/445/ 455/465/660	Edits the exemption for MLB & pro golf events

Section XI: Amends Sec. 14-470, Telecommunication services.

Legislation (Year: Bill Numbers) – 2014: HB2546

This section adds an exemption for alarm monitoring when performed by an in-state company. Previously, the Arizona Supreme Court ruled that out of state alarm monitoring was considered exempt interstate telecommunications. This bill placed in-state monitoring companies on a level playing field with out of state ones. Per this bill, the change related to in-state monitoring companies is effective from and after January 1, 2015. Based on the court decision, out of state monitoring companies are deemed exempt at any time.

Legislative Bills 2014 - 2018						
Year	Chapter	Bill #	Effective date	ARS Section 42-XXXX	PCC Section 14-XXXX	Description
2014	174	HB2546	1/1/2015	6004	470	Exempts alarm monitoring from Telecommunications

Section XII: Amends Sec. 14-475, Transporting for hire.

Legislation (Year: Bill Numbers) – 2016: SB1492

This section adds exemptions for “vehicles for hire” services (taxis, livery vehicles, and limousines), as well as “Transportation Network Company” drivers, as those terms are defined in A.R.S. Sections 28-9501 and 28-9551. This bill clarifies prior legislation related to companies such as Uber and Lyft, and attempts to create equal tax treatment for traditional taxi and limo services. The new exemptions are effective beginning September 1, 2016.

Legislative Bills 2014 - 2018						
Year	Chapter	Bill #	Effective date	ARS Section 42-XXXX	PCC Section 14-XXXX	Description
2016	171	SB1492	9/1/2016	6004/5062	475	Exempts "vehicles for hire" (taxis, livery, and limos) and Transportation Network Company drivers (Uber)

Section XIII: Amends Sec. 14-480, Utility services.

Legislation (Year: Bill Numbers) – 2015: HB2670; 2016: HB2025, HB2676, SB1505

Changes to this section are all related to the 2014 State level adoption of an exemption for electricity or natural gas used in manufacturing or smelting operations (SB1413). While the cities and towns were not required to adopt this exemption, A.R.S. 42-6012

does require each city and town to either tax this area in full or exempt it in the exact same manner as the State. Therefore, at the municipal level an option to adopt this exemption was added to the Model City Tax Code as Local Option #PP in 2014, however, no city or town has ever chosen to adopt it. Changes in this section reflect subsequent modifications made by the legislature to the State exemption, intended to maintain the Local Option in conformity with the State version. In 2015, HB2670 added "international operations centers" (a type of data center) to the eligible types of facilities that could qualify for the exemption, effective August 1, 2015. In 2016 three bills made additional changes to the State exemption. First, HB2025 added "liquefied petroleum gas" to the list of eligible utilities that could be exempted. Second, SB1505 removed a clause from the original language that specifically stated gas transportation charges were excluded from the exemption, thus making them included. These two changes are added with effective dates matching the State effective date of September 1, 2016. Finally in 2016, HB2676 significantly altered the energy usage and other requirements necessary for a company to qualify for the exemption, as well as removing authority to verify the qualification from the DOR. This change is added as of the same date it applies at the State level: January 1, 2017.

Legislative Bills 2014 - 2018						
Year	Chapter	Bill #	Effective date	ARS Section 42-XXXX	PCC Section 14-XXXX	Description
2014	7	SB1413	8/1/2015	6012/5063/5159	480/660	Electricity, natural gas to a manufacturer exempt; Local Option #PP ALREADY ADOPTED
2015	6	HB2670	8/1/2015	6012/5063/5159	480/660	Adds "international operations center" to Option #PP for Utilities exemption for manufacturers
2016	359	HB2025	9/1/2016	6012/5063/5159	480/660	Adds "liquefied petroleum gas" to Option #PP
2016	374	HB2676	1/1/2017	6012/5009/5063/5159	480/660	Alters the qualifications, etc. for Option #PP
2016	357	SB1505	9/1/2016	6012/5063/5159	480/660	Adds gas transportation charges to Option #PP

Section XIV: Amends Sec. 14-530, When tax due; when delinquent; verification of return; extensions.

Legislation (Year: Bill Numbers) – 2014: HB2283, HB2288, HB2389

Note that in 2014, HB2389 amended A.R.S. 42-6002(A) to state that, unless the context otherwise requires, Chapter 1 and Chapter 5, Article 1 of Title 42 governs the administration of the municipal privilege taxes levied by a city or town, effective from and after January 1, 2015. The impact of this amendment on the Model City Tax Code will ultimately lead to the elimination of most of Article V – Administration, along with the elimination of Appendix I – Modifications to Model City Code for Cities and Towns in the State Collection System. However, this effective date anticipated the DOR would begin

complete TPT administration for all cities and towns not later than January 1, 2015. In reality, this did not occur with regard to the 15 former self-collecting cities until January 1, 2017. As such, Article V and Appendix I remained in place to govern the ongoing activities of cities and towns prior to completion of the TPT Simplification project. With the successful transition to Department administration, the changes necessitated by HB2389 will be taken up in future modifications to the MCTC. For the moment, the first two bills noted above have created significant return filing changes that we wish to reflect in the Model until such time as the complete implementation of HB2389 can be adopted into the body of the MCTC.

HB2283 changes the filing delinquency date for the Department and for cities by eliminating the State reliance on postmark dates and changing the city rule of accepting returns on the last business day. The new rules for both cities and the State deem a tax return delinquent if it is not received by the State electronically by the last business day of the month or received by the State by the day before the last business day if filed by paper. HB2288 increased the minimum filing frequency thresholds to determine when a taxpayer may file and pay on a less than monthly basis, and HB2389 further amended this section to require that the combined total tax due from all jurisdictions including counties and cities/towns must be considered, rather than just the State liability as had been the previous determinant. The new thresholds call for all taxpayers to file on a monthly basis unless their total annual tax liability to all jurisdictions is between \$8,000 and \$2,000, in which case they may choose to file and pay quarterly, or if their annual tax liability is less than \$2,000 they may choose to file and pay annually.

Legislative Bills 2014 - 2018						
Year	Chapter	Bill #	Effective date	ARS Section 42-XXXX	PCC Section 14-XXXX	Description
2014	139	HB2283	1/1/2015	5014	530	Filing is delinquent if not received by last day electronically or day before last filed by paper
2014	141	HB2288	1/1/2015	5014	530	Changes M/Q/A filing thresholds
2014	263	HB2389	1/1/2015	6001/6002/ 6004/6009/6056/ 1125/2003/2075/5005/ 5009/5014/5015/5074/ 5075/5102/	Article III/ 415/455/462 530	TPT Simplification clean-up - municipal licenses/penalties; MRRA exemption certificate; electronic filing; exempt SNAP under R&B; create MRRA; SNAP under Food; transition IGA/electronic reporting; city Admin (Art. V) under state rules; initial MRRA preemption; MTHO end date; Session Law: refunds, appeals, license renewal; has multiple effective dates, only 1/1/2015 matters

Section XV: Amends Sec. 14-660, Use tax: exemptions.

Legislation (Year: Bill Numbers) – 2014: HB2285; 2015: HB2670, SB1446; 2016: HB2025, HB2326, HB2584, HB2676, SB1505; 2017: HB2064; 2018: HB2484, SB1120

There were multiple changes to Use tax exemptions, reflecting similar exemptions added or amended to the Contracting, Jet Fuel, Restaurant & Bar, Retail, and Utilities classifications. They are listed here in order of year enacted and bill number, and they are each followed by the effective date and the subsection impacted.

- 1) 2014, HB2285: Added exemption for the transfer of coal back and forth between a power plant and coal refinery, effective January 1, 2015; Subsection (tt).
- 2) 2015, HB2670: Added “international operations centers” to the eligible facilities that can qualify for exempt purchases of Utilities used in manufacturing and smelting (Local Option #PP), effective August 1, 2015; Subsection (ss).
- 3) 2015, SB1446: Added persons possessing a “MRRA” exemption certificate to the current exemption for purchases of construction materials by a contractor, effective January 1, 2015; Subsection (k).
- 4) 2016, HB2025: Added “liquefied petroleum gas” to the eligible utilities that could be purchased exempt for use in manufacturing, smelting, and international operation centers (Local Option #PP), effective September 1, 2016; Subsection (ss).
- 5) 2016, HB2326: Added farmers who produce animal feed to the statutory definition of “Food Producer” thus making all purchases of their feed exempt from tax, effective August 6, 2016; Subsection (v).
- 6) 2016, HB2584: Edited the requirements for the exemption of data center equipment that qualifies for tax relief offered by the Arizona Commerce Authority, effective retroactively from September 12, 2013; Subsection (uu).
- 7) 2016, HB2676: Amended the minimum energy usage and other requirements necessary to qualify for purchasing exempt utilities for use in manufacturing, smelting, and international operation centers (Local Option #PP), effective January 1, 2017; Subsection (ss).
- 8) 2016, SB1505: Removed a clause from the original language that stated gas transportation charges were excluded from the exemption for utilities for use in manufacturing, smelting, and international operation centers (Local Option #PP), thus making them exempt, effective September 1, 2016; Subsection (ss).
- 9) 2017, HB2064: Added a new limitation on Jet Fuel Use tax (Local Option #LL), limiting Use tax imposition to only the first 10 million gallons purchased during a calendar year, effective December 1, 2018; Subsection (vv).
- 10) 2018, HB2484: Added exemptions for the purchase, manufacture or distribution among wholesalers of food for human consumption, as well any container or packaging used exclusively for transporting, protecting or consuming food items intended for human consumption (as part of the preemption against a “soda” tax), effective August 3, 2018; Subsections (ww) and (yy).
- 11) 2018, SB1120: Added the exemption for purchases of tangible personal property sold at events operated by groups associated with Major League Baseball or a professional golf tour, including new amendments to prohibit application of the exemption for groups owned or controlled by a Major League team, MLB, or a pro

golf tour unless they operated such events before 2018, effective from and after January 1, 2018; Subsection (ee).

Legislative Bills 2014 - 2018						
Year	Chapter	Bill #	Effective date	ARS Section 42-XXXX	PCC Section 14-XXXX	Description
2014	54	HB2285	1/1/2015	6004/5061/5072/ 5151/5159	465/660	Exempt coal transfers between the mine and refiner
2014	7	SB1413	8/1/2015	6012/5063/5159	480/660	Electricity, natural gas to a manufacturer exempt; Local Option #PP ALREADY ADOPTED
2015	6	HB2670	8/1/2015	6012/5063/5159	480 / 660	Adds "international operations center" to Option #PP for Utilities exemption for manufacturers
2015	4	SB1446	1/1/2015	9-467 6004/ 5005/5008.1/5009/ 5010/5061/5075/5159	110/415/415.1/ 465/660	Building permit requirements; create liability for Retail equivalent on MRRA used in Prime; clarify Retail exemptions for Contractors/MRRA; revises MRRA to limit "alteration", etc.
2016	359	HB2025	9/1/2016	6012/5063/5159	480/660	Adds 'liquefied petroleum gas" to Option #PP
2016	361	HB2326	8/6/2016	3-561/3-563 5009/5022/5061/5159	465/660	Adds farmers who sell livestock feed to the definition of "food producers"
2016	369	HB2584	9/12/2013	6004/5061/5159	465/660	Edits exemption for data center equipment
2016	374	HB2676	1/1/2017	6012/5009/5063/5159	480/660	Alters the qualifications, etc. for Option #PP
2016	357	SB1505	9/1/2016	6012/5063/5159	480/660	Adds gas transportation charges to Option #PP
2017	50	HB2064	12/1/2017	6014	422/660	Exempts Jet Fuel over 10 million gallons; requires tax collected to be spent on airport operations
2018	17	HB2484	8/3/2018	6004/6015	455/462/ 465/660	Moves existing food preemptions into new section; prohibits any differential tax on a specific food (no soda tax allowed)
2018	249	SB1120	1/1/2018	6004/5061/5069/ 5073/5074/5159	410/445/ 455/465/660	Edits the exemption for MLB & pro golf events

2019 Speculative Builder Amendment

This amendment addresses certain issues presented in bills at the legislature by resolving the concerns of proponents, along with numerous clean-up edits, and the transfer of selected Regulations to the main body of the MCTC as new Sections. These amendments were approved by the Municipal Tax Code Commission in a public hearing held on February 22, 2019.

Section XVI: Amends Sec. 14-416, Construction Contracting - speculative builders.

Speculative builders are taxed at the local level only. These changes are effective on April 1, 2019. The amendment changed the definition of "Improved Real Property" to clarify that only the first sale after the Certificate of Occupancy or similar document is issued is subject to tax, and any subsequent improvements, remodeling or expansion of the original building is not considered taxable as reconstruction or the creation of a new structure; changed the definition of "Partially Improved Residential Real Property" by removing the word "residential" in several places and making grammatical edits, opening up the exemption for sales between two developers for both residential and commercial builders, including those who only do non-structural improvements to vacant land or add water, power, and streets; eliminated Local Option #M which allowed a deduction from the selling price for the cost of land. Local Option #N remains in place, allowing for a deduction based on the "fair market value" of land, with 20% of total selling price as the default safe harbor; removed the requirement that developers attach a written statement to their tax return for any sale to another developer; added an exemption for in-place leases allowing a reduction in total selling price for the present value of obligated future lease receipt, which recognizes the sale of a property with existing leases is really the sale of a building combined with the sale of the business of residential or commercial lease; placed in code a deduction that has been applied for decades in accordance with a practice decision and written direction provided by the cities, allowing a seller to reduce the selling price by the amount of taxes paid by their contractor to the state and county; added language clarifying that a tax credit is allowed for any Spec builder tax paid by a prior owner if a subsequent sale is subjected to the tax; and added "Qualified Trust" to the list of persons who can make a bona fide sale of a home and thus be exempt from the tax, provided at least one resident in the home is a beneficiary of the trust.

2019 Speculative Builder Amendment						
Year	Chapter	Bill #	Effective date	ARS Section 42-XXXX	PCC Section 14-XXXX	Description
2019	N/A	N/A	4/1/2019	N/A	416/416.1/416.2	Speculative builders- taxable at the local level only; adds clarifying language to definitions for "improved real property" and "partially improved residential real property" regarding exemption for sales between two developers; sets the agreed-upon calculation of the tax base deduction; eliminates the developer sales written statement requirement; adds exemption for in-place leases; codifies practice of allowing sales price reduction for taxes already paid by contractor; clarifies sales of Qualified Trusts; and transfers corresponding Section 416 Regulations to the main body of the MCTC as new Sections.

2019 Rental of Real Property and Telecommunications Amendments

The amendments titled “2019 Rental of Real Property Amendment” with a retroactive effective date of January 1, 2012 and “2019 Telecommunications Amendment” with an effective date of July 1, 2019 address certain issues presented in bills at the legislature by resolving the concerns of proponents, along with various clean-up edits, and the transfer of selected Regulations to the main body of the MCTC as new Sections. These amendments were approved by the Municipal Tax Code Commission in a public hearing held on May 31, 2019.

Included in Section VI: Amends Sec. 14-445, Rental, leasing, and licensing for use of real property.

Amends Sec. 445, Rental, leasing, and licensing for use of real property with a retroactive effective date of January 1, 2012. It removes an obsolete Local Option #T related to affiliated corporations; adds an exemption for payments by residents pursuant to life care contracts to a provider that holds a permit issued by the Department of Insurance; and establishes a limit on refund claims and the process for seeking claims.

2019 Rental of Real Property Amendment						
Year	Chapter	Bill #	Effective date	ARS Section 42-XXXX	PCC Section 14-XXXX	Description
2019	N/A	N/A	1/1/2012	N/A	445	Removes an obsolete Local Option #T related to affiliated corporations; adds an exemption for payments by residents pursuant to life care contracts to a provider that holds a permit issued by the Department of Insurance; and establishes a limit on refund claims and the process for seeking claims.

Included in Section XI: Amends Sec. 14-470, Telecommunication services.

Amends Sec. 470, Telecommunication services with an effective date of July 1, 2019. It incorporates the language of former Regulation 470.1 into the Section; adds an exemption for “over-the-top” audio and video programming and related on-demand programming provided without an additional charge; and repeals Regulation 470.1.

2019 Telecommunications Amendment						
Year	Chapter	Bill #	Effective date	ARS Section 42-XXXX	PCC Section 14-XXXX	Description
2019	N/A	N/A	7/1/2019	N/A	470	Incorporates the language of former Regulation 470.1 into the Section; adds an exemption for “over-the-top” audio and video programming and related on-demand programming provided without an additional charge; and repeals Regulation 470.1.