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MEMORANDUM **Management Services Memo No. 15-019**

DATE: FEBRUARY 26, 2015

TO: MAYOR AND COUNCIL

THRU: RICH DLUGAS, CITY MANAGER
DAWN LANG, MANAGEMENT SERVICES DIRECTOR
MATTHEW DUNBAR, REVENUE AND TAX MANAGER

FROM: ROBB SWANSON, TAX AUDIT SUPERVISOR

SUBJECT: INTRODUCTION AND TENTATIVE ADOPTION OF ORDINANCE NO. 4589, AMENDING CHANDLER CITY CODE, CHAPTER 62, CONFORMING THE CHANDLER CITY TAX CODE AND REGULATIONS TO CHANGES MADE TO THE MODEL CITY TAX CODE, AS APPROVED BY THE MUNICIPAL TAX CODE COMMISSION AND ESTABLISHING THE EFFECTIVE DATES THEREOF

RECOMMENDATION

Staff recommends introduction and tentative adoption of Ordinance No. 4589, amending Chandler City Code, Chapter 62, thereby conforming the Chandler City Tax Code and Regulations to changes made to the Model City Tax Code, as approved by the Municipal Tax Code Commission and establishing the effective dates thereof.

BACKGROUND

The Model City Tax Code ("MCTC") is a state-wide, uniform set of privilege (sales) tax laws that every city or town that desires to impose a privilege tax must adopt as defined in A.R.S. § 42-6051. The City of Chandler adopted the MCTC in February 1987. All amendments to the MCTC are brought before the Municipal Tax Code Commission for approval, and once approved by the Commission every city or town that has adopted the MCTC is required to adopt the amendments as per A.R.S. § 42-6053. Therefore, the

proposed changes to the Chandler Tax Code included in this ordinance are necessary for purposes of conformity with the MCTC.

During the most recent legislative session, several bills were signed by the Governor requiring conforming changes to the MCTC. Specifically, changes were made to the Arizona Revised Statutes (A.R.S. 42-5005) regarding tax licensing for both the Department of Revenue and cities and towns, with an effective date of January 1, 2015. The changes were adopted to simplify the numerous individual variations in tax licensing codes and administrative policies among the various cities and towns, and were intended to create uniform tax licensing rules and improve taxpayer understanding and compliance. Following are highlights of the changes:

- Eliminates all application fees (approximately $65,000 reduction to revenue) and the ability to apply for temporary licenses;
- Clarifies that the City cannot withhold the issuance of the tax license for failure to comply with all statutes, ordinances, regulations, or other requirements by repealing 62-305(d);
- Reaffirms a single license fee of $50 for most taxable classifications, and adds a new model option #16 to allow the City to continue licensing residential rental properties on a $2 per unit basis with a maximum license total of $50;
- Clarifies licensing real property rentals, including clarification for those that use property managers;
- Creates uniform penalties and allows for standardized waiver procedures;
- Removes the ability to prorate license fees based on application date (approximate revenue increase of $80,000).

Additionally, there are numerous other changes to the MCTC, as approved by the Municipal Tax Code Commission, from the years 2011 through 2014. These changes incorporate various requirements of Arizona Revised Statutes, as well as aligning formatting and other approved changes with the most current version of the MCTC.

Included as an attachment is a brief summary of the various section changes as proposed in Ordinance No. 4589, the intent of the changes, and any fiscal impact the changes may have.

PROPOSED MOTION

Move to introduce and tentatively adopt Ordinance No. 4589, amending Chandler City Code, Chapter 62, thereby conforming the Chandler City Tax Code and Regulations to changes made to the Model City Tax Code, as approved by the Municipal Tax Code Commission and establishing the effective dates thereof.

Attachments: Summary of Proposed Changes
Ordinance No. 4589 (Redlined)

c: Marsha Reed, Assistant City Manager
Nachie Marquez, Assistant City Manager

SUMMARY OF PROPOSED CHANGES – ORDINANCE NO. 4589

PART I. CTC Sections 62-100, is amended as follows: the change to the definition of "Business" with an effective date of January 1, 2007; the change to "Prosthetic" with an effective date of October 1, 2007.

- Excludes from the definition of "Business" in CTC Section 62-100, the transfer of electricity from a solar generating system to an electric utility distribution system. This change was made to conform to Arizona State Statute.

- Expands the definition of "Prosthetic" in CTC Section 62-100, to include orthodontic devices dispensed to a patient by a licensed dental professional. This change was made retroactively to conform to Arizona State Statute.

  (Reference Section 1 of Ordinance 4589)

PART II. CTC Section 62-120 and Regulation 62-120.1. are repealed in their entirety with an effective date of July 1, 2013:

- Repeals CTC Section 62-120, the definitions relating to food for home consumption. These definitions have been incorporated into the new CTC Section 62-462. Retail Sales: Food for Home Consumption.

  Fiscal Impact: Removes an option that was not previously adopted by the City. No impact to Chandler.

  (Reference Sections 2 and 28 of Ordinance 4589)

PART III. CTC Sections 62-200 is amended as follows with an effective date of July 1, 2013.

- Provides conformity with state statute in the determination of gross income, as defined in CTC Section 62-200, by restricting the taxable value of the sale of nuclear fuel to the value of the purchase price of uranium oxide used in producing the fuel and allowing for the imposition of the tax one time, regardless of the number of transactions that may occur with the fuel.

  Fiscal Impact: Chandler does not have a nuclear fuel facility, so there is currently no impact.

  (Reference Section 3 of Ordinance 4589)

PART IV. Article III, Sections 62-300, 62-310, 62-320, 62-330, 62-350, 62-360, and 62-370 are amended. Article III, Sections 62-305 and 62-315 are repealed. Article III, Sections 62-340, 62-362, 62-364, 62-366, 62-372 and 62-380 are created. All Sections are amended, repealed or created as follows, with an effective date of January 1, 2015.

- Various changes to Tax Licensing requirements as mandated by HB2111. Eliminates all Application Fees and Temporary Licenses; Requires a single license fee for most classifications, with fees available for Residential and Commercial Real Property Rentals needed to maintain existing licensing policy; Clarifies licensing real property rentals, chiefly for those that use property managers; Creates uniform penalties and allows for standardized waiver procedures.

- These changes are also to create uniformity by aligning the licensing requirements for all jurisdictions.

  Fiscal Impact: Approximately $65,000 due to the loss in application fees.

  (Reference Sections 4 through 18 of Ordinance 4589)

PART V. The CTC Section 62-425 is amended with an effective date of September 21, 2006.

- Provides conformity with state statute with regard to job printing in CTC 62-425, by allowing a deduction for certain postage and freight expenses associated with the sales of job printing materials as long as the expenses have been separately stated from the sale of the materials.

  Fiscal Impact: Minimal impact to Chandler tax revenues. Because the State has not considered charges for postage as taxable, most effected taxpayers have not reported City tax on the activity.

  (Reference Section 19 of Ordinance 4589)

PART VI. CTC Section 62-445 Subsections (s) and (t) are amended with an effective date of July 1, 2013.

- Replaces the existing related-party commercial lease exemption with an expanded exemption in CTC 62-445. This change was made to conform to Arizona State Statute.

  Fiscal Impact: Minimal impact as it relates to a small subset of taxpayers.

  (Reference Section 20 of Ordinance 4589)

PART VII. CTC Section 62-450(c) is amended with an effective date of September 1, 2004.

- Provides conformity with state statute by adding an exemption in CTC 62-450 regarding the lease or rental of certified ignition interlock devices.

  Fiscal Impact: Minimal to no impact to Chandler tax revenues as most effected taxpayers have not reported tax on the category in the past.

  (Reference Section 21 of Ordinance 4589)

PART VIII. CTC Section 62-460(c) is amended with an effective date of October 1, 2007.

- Excludes the sales of cash equivalents from the measure of the Retail Privilege Tax as taxable income in CTC 62-460, and defines the term "Cash Equivalents."

  Fiscal Impact: Minimal impact to Chandler tax revenues as most effected taxpayers have not considered the sales of gift and prepaid calling cards as taxable in the past.

  (Reference Section 22 of Ordinance 4589)

PART IX. CTC Section 62-462, is added with an effective date of July 1, 2013.

- Relocates the imposition of the privilege tax on food for home consumption to a new privilege tax classification, CTC 62-462, which is separate from the Retail Sales privilege tax classification. This change was made to conform to the MCTC and further consistency between all jurisdictions.

  (Reference Section 23 of Ordinance 4589)

PART X. CTC Section 62-465, is amended as follows. All changes are effective July 1, 2013, except new subsection (mm), which is effective January 1, 2007.

Makes a number of changes to the Retail Classification to provide conformity with State statute and includes the following:

- Expands the definition of educational entities that are eligible for food sales' exemption to include private, parochial, and charter schools pursuant to A.R.S. § 15-802, to match the wording in A.R.S. § 42-5102(C)(1).

- Adds exemptions for sales of renewable energy credits.

- Adds exemptions for sales of magazines or periodicals published by this state which are used to encourage Arizona tourism.

- Adds exemptions for sales of paper machine clothing used or consumed in paper manufacturing.

- Adds exemptions for sales of overhead materials used in contracts between the US government and the manufacturer and sales to a qualified environmental technology manufacturer.

- Adds an exemption for sales of food to a restaurant used for free employee meals. This exemption matches the State statutory language of A.R.S. § 42-5061.A.18.

  Fiscal Impact: Minimal impact to Chandler tax revenues.

  (Reference Section 24 of Ordinance 4589)

PART XI. CTC Section 62-480 is amended with an effective date of January 1, 2007.

- Adds definitions and exemptions for renewable energy credit.

- Excludes from the utility classification, the transfer of electricity from a solar generating system to an electric utility distribution system. This change was made to conform to Arizona State Statute.

  Fiscal Impact: Minimal impact to Chandler tax revenues.

  (Reference Section 25 of Ordinance 4589)

PART XII. CTC Section 62-485 is amended with an effective date of July 1, 2013.

- Creates a separate taxable classification on the activity of providing wastewater removal services to City residents or non-residents who receive these services. The tax rate on the wastewater removal services classification is set at a rate of 0%, in keeping with Chandler's historic consideration of this activity as non-taxable.

  Fiscal Impact: No impact to Chandler tax revenues.

  (Reference Section 26 of Ordinance 4589)

PART XIII. CTC Section 62-660 is amended with an effective date of July 1, 2013, except new subsection (mm), which is effective January 1, 2007, and new subsection (ss), which is effective August 1, 2014.

Makes a number of changes to the Use Tax classification to provide conformity with State statute and includes the following:

- Exempts Use Tax on meals provided by a restaurant to its employees.
- Expands the definition of educational entities that are eligible for food sales' exemption to include private, parochial, and charter schools pursuant to A.R.S. § 15-802, to match the wording in A.R.S. § 42-5102(C)(1).
- Adds exemptions for renewable energy credits.
- Adds exemptions for magazines or periodicals published by this state which are used to encourage Arizona tourism.
- Adds exemptions for paper machine clothing used or consumed in paper manufacturing.
- Adds exemptions for overhead materials used in contracts between the US government and the manufacturer and sales to a qualified environmental technology manufacturer.
- Adds an exemption for food used by a restaurant to provide free employee meals. This exemption matches the State statutory language of A.R.S. § 42-5061.A.18.

  Fiscal Impact: Minimal impact to Chandler tax revenues.

  (Reference Section 27 of Ordinance 4589)

PART XIV.

- Adds local option to exempt sales of electricity or natural gas to a business that is principally engaged in manufacturing or smelting operations and that uses at least fifty-one per cent of the electricity or natural gas in the manufacturing or smelting.

  Fiscal Impact: No impact as Chandler has not selected this option.

  (Reference Section 25 of Ordinance 4589)

PART XV. CTC Regulation 62-270.1 is amended with an effective date of July 1, 2013.

- Revises the CTC Regulation 62-270.1 to include wastewater removal services as a taxable activity for municipalities that choose a tax rate other than 0%.

  (Reference Section 39 of Ordinance 4589)

PART XVI. CTC Chapter 62, Regulations 300.1, 300.2, 310.1, 310.2, 310.3, 350.1, 350.2, 350.3, 360.1, and 360.2 are repealed in their entirety with an effective date of January 1, 2015.

- Deletion of numerous Regulations to incorporate the language directly in the Section of the Code. This change was made to conform to Arizona State Statute and the MCTC.
- Removes the option to prorate annual license fees. This change was made to conform to the requirements of HB2111.

  Fiscal Impact: Approximately $80,000 increase in license revenues.

  (Reference Sections 29 through 38 of Ordinance 4589)

PART XVII. CTC Regulation 62-460.1 is amended with an effective date of July 1, 2013.

- Amends the CTC Regulation 62-460.1 that distinguishes retail sales and the transfer of tangible personal property to include food for home consumption and wastewater removal services.

  (Reference Section 40 of Ordinance 4589)

ORDINANCE NO. 4589

AN ORDINANCE AMENDING THE CHANDLER CITY CODE, CHAPTER 62, CHANDLER CITY CODE AND REGULATIONS CONFORMING THE CHANDLER CITY TAX CODE AND REGULATIONS TO CHANGES TO THE MODEL CITY TAX CODE, AS APPROVED BY THE MUNICIPAL TAX CODE COMMISSION; AMENDING SECTIONS 62-100, 62-200, 62-300, 62-310, 62-320, 62-330, 62-350, 62-360, 62-370, 62-425, 62-445, 62-450, 62-460, 62-465, 62-480, 62-485, 62-660 OF THE CHANDLER CITY CODE, REPEALING SECTIONS 62-120, 62-305, AND 62-315 AND AMENDING THE CHANDLER CITY CODE BY ADDING NEW SECTIONS 62-340, 62-362, 62-364, 62-366, 62-372, 62-380, AND 62-462; AMENDING CHANDLER CITY REGULATIONS 62-270.1 AND 62-460.1 AND REPEALING CHANDLER CITY REGULATIONS 62-300.1, 62-300.2, 62-310.1, 62-310.2, 62-310.3, 62-350.1, 62-350.2, 62-350.3, 62-360.1, 62-360.2 AND 62-360.2; ALL RELATING TO CITY OF CHANDLER PRIVILEGE LICENSE AND USE TAXES; AND PROVIDING FOR RETROACTIVE EFFECTIVE DATES.

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Chandler, Arizona that the Code of the City of Chandler, Arizona be amended as follows:

SECTION 1: Section 62-100 of the Chandler City Code is hereby amended as follows:

62-100. - General definitions.

For the purposes of this chapter, the following definitions apply:

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

Broker means any person engaged or continuing in business who acts for another for a consideration in the conduct of a business activity taxable under this chapter, and who receives for his principal all or part of the gross income from the taxable activity.

Business ~~means~~ includes all activities or acts, personal or corporate, engaged in ~~and~~ or caused to be engaged in with the object of gain, benefit, or advantage, either ~~direct~~ directly or ~~indirect~~ indirectly, but does not include either casual activities or sales, or the transfer or electricity from a solar photovoltaic generation system to an electric utility distribution system.

Business day means any day of the week when the Tax Collector's Office is open for the public to conduct the Tax Collector's business.

Casual activity or sale means a transaction of an isolated nature made by a person who neither represents himself to be nor is engaged in a business subject to a tax imposed by this chapter.

However, no sale, rental, license for use, or lease transaction concerning real property nor any activity entered into by a business taxable by this chapter shall be treated, or be exempt, as casual. This definition shall include sales of used capital assets, provided that the volume and frequency of such sales do not indicate that the seller regularly engages in selling such property.

Combined taxes means the sum of all applicable Arizona Transaction Privilege and Use Taxes; all applicable transportation taxes imposed upon gross income by this county as authorized by Article III, Chapter 6, Title 42, Arizona Revised Statutes; and all applicable taxes imposed by this chapter.

Commercial property is any real property, or portion of such property, used for any purpose other than lodging or lodging space, including structures built for lodging but used otherwise, such as model homes, apartments used as offices, etc.

Communications channel means any line, wire, cable, microwave, radio signal, light beam, telephone, telegraph, or any other electromagnetic means of moving a message.

Construction contracting refers to the activity of a construction contractor.

Construction contractor means a person who undertakes to or offers to undertake to, or purports to have the capacity to undertake to, or submits a bid to, or does himself or by or through others, construct, alter, repair, add to, subtract from, improve, move, wreck, or demolish any building, highway, road, railroad, excavation, or other structure, project, development, or improvement to real property, or to do any part thereof. "Construction contractor" includes subcontractors, specialty contractors, prime contractors, and any person receiving consideration for the general supervision and/or coordination of such a construction project except for remediation contracting. This definition shall govern without regard to whether or not the construction contractor is acting in fulfillment of a contract.

Delivery (of notice) by the Tax Collector means "receipt (of notice) by the taxpayer".

Delivery, installation, or other direct customer services means services or labor, excluding repair labor, provided by a taxpayer to or for his customer at the time of transfer of tangible personal property; provided further that the charge for such labor or service is separately billed to the customer and maintained separately in the taxpayer's books and records.

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

Equivalent excise tax means either:

(1) A privilege or use tax levied by another Arizona municipality upon the transaction in question, and paid either to such Arizona municipality directly or to the vendor; or
(2) An excise tax levied by a political subdivision of a state other than Arizona upon the transaction in question, and paid either to such jurisdiction directly or to the vendor; or

(3) An excise tax levied by a Native American Government organized under the laws of the federal government upon the transaction in question, and paid either to such jurisdiction directly or to the vendor.

Federal government means the United States Government, its departments and agencies; but not including national banks or federally chartered or insured banks, savings and loan institutions, or credit unions.

Food means any items intended for human consumption as defined by rules and regulations adopted by the Department of Revenue, State of Arizona, pursuant to A.R.S. Section 42-5106. Under no circumstances shall "food" include alcoholic beverages or tobacco, or food items purchased for use in conversion to any form of alcohol by distillation, fermentation, brewing, or other process. Under no circumstances shall "food" include any edible product, beverage, or ingredient infused, mixed, or in any way combined with medical marijuana or an active ingredient of medical marijuana.

Hotel means any public or private hotel, inn, hostelry, tourist home, house, motel, rooming house, apartment house, trailer, or other lodging place within the City offering lodging, wherein the owner thereof, for compensation, furnishes lodging to any transient, except foster homes, rest homes, sheltered care homes, nursing homes, or primary health care facilities.

Jet fuel means jet fuel as defined in A.R.S. Section 42-5351.

Job printing means the activity of copying or reproducing an article by any means, process, or method. "Job printing" includes engraving of printing plates, embossing, copying, micrographics, and photo reproduction.

Lessee includes the equivalent person in a rental or licensing agreement for all purposes of this chapter.

Lessor includes the equivalent person in a rental or licensing agreement for all purposes of this chapter.

Licensing (for use) means any agreement between the user ("licensee") and the owner or the owner's agent ("licensor") for the use of the licensor's property whereby the licensor receives consideration, where such agreement does not qualify as a "sale" or "lease" or "rental" agreement.

Lodging (lodging space) means any room or apartment in a hotel or any other provider of rooms, trailer spaces, or other residential dwelling spaces; or the furnishings or services and accommodations accompanying the use and possession of said dwelling space, including storage or parking space for the property of said tenant.

Manufactured buildings means a manufactured home, mobile home or factory built building, as defined in A.R.S. Section 41-2142.

Manufacturer means a person engaged or continuing in the business of fabricating, producing, or manufacturing products, wares, or articles for use from other forms of tangible personal property, imparting to such new forms, qualities, properties, and combinations.

Medical marijuana means "marijuana" used for a "medical use" as those terms are defined in A.R.S. Section 36-2801.

Mining and metallurgical supplies means all tangible personal property acquired by persons engaged in activities defined in Section 62-432 for such use. This definition shall not include:

(1) Janitorial equipment and supplies,
(2) Office equipment, office furniture, and office supplies,
(3) Motor vehicles licensed for use upon the highways of the State.

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

Nonprofit entity means any entity organized and operated exclusively for charitable purposes, or operated by the Federal Government, the State, or any political subdivision of the State.

Occupancy (of real property) means any occupancy or use, or any right to occupy or use, real property including any improvements, rights, or interests in such property.

Out-of-City sale means the sale of tangible personal property and job printing if all of the following occur:

(1) Transference of title and possession occur without the City; and
(2) The stock from which such personal property was taken was not within the corporate limits of the City; and
(3) The order is received at a permanent business location of the seller located outside the City, which location is used for the substantial and regular conduct of such business sales activity. In no event shall the place of business of the buyer be determinative of the situs of the receipt of the order.

For the purpose of this definition it does not matter that all other indicia of business occur within the City, including, but not limited to, accounting, invoicing, payments, centralized purchasing, and supply to out-of-City storehouses and out-of-City retail branch outlets from a primary storehouse within the City.

Out-of-State sale means the sale of tangible personal property and job printing if all of the following occur:

(1) The order is placed from without the State of Arizona; and
(2) The property is delivered to the buyer at a location outside the State; and
(3) The property is purchased for use outside the State.

Owner-builder means an owner or lessor of real property who, by himself or by or through others, constructs or has constructed or reconstructs or has reconstructed any improvement to real property.

Person means an individual, firm, partnership, joint venture, association, corporation, estate, trust, receiver, syndicate, broker, the Federal Government, this State, or any political subdivision or agency of this State. For the purposes of this Chapter, a person shall be considered a distinct and separate person from any general or limited partnership or joint venture or other association with which such person is affiliated. A subsidiary corporation shall be considered a separate person from its parent corporation for purposes of taxation of transactions with its parent corporation.

Prosthetic means any of the following tangible personal property if such items are prescribed or recommended by a licensed podiatrist, chiropractor, dentist, physician or surgeon, naturopath, optometrist, osteopathic physician or surgeon, psychologist, hearing aid dispenser, physician assistant, nurse practitioner or veterinarian:

(1) Any man-made device for support or replacement of a part of the body, or to increase acuity of one (1) of the senses. Such items include: prescription eyeglasses; contact lenses; hearing aids; artificial limbs or teeth; neck, back, arm, leg, or similar braces.
(2) Insulin, insulin syringes, and glucose test strips sold with or without a prescription.
(3) Hospital beds, crutches, wheelchairs, similar home health aids, or corrective shoes.
(4) Drugs or medicine, including oxygen.
(5) Equipment used to generate, monitor, or provide health support systems, such as respiratory equipment, oxygen concentrator, or dialysis machine.
(6) Durable medical equipment which has a federal health care financing administration common procedure code, is designated reimbursable by Medicare, can withstand repeated use, is primarily and customarily used to serve a medical purpose, is generally not useful to a person in the absence of illness or injury and is appropriate for use in the home.
(7) Orthodontic devices dispensed by a dental professional who is licensed under title 32, Chapter 11 to a patient as part of the practice of dentistry.
(~~7~~8) Under no circumstances shall "prosthetic" include medical marijuana regardless of whether it is sold or dispensed pursuant to a prescription, recommendation, or written certification by any authorized person.

Qualifying Community Health Center:

(1) Means an entity that is recognized as nonprofit under 501(c)(3) of the United States Internal Revenue Code, that is a community-based, primary care clinic that has a community-based board of directors and that is either:
    (A) The sole provider of primary care in the community.
    (B) A non-hospital affiliated clinic that is located in a federally designated medically underserved area in this State.
(2) Includes clinics that are being constructed as qualifying community health centers.

Qualifying health care organization means an entity that is recognized as nonprofit under Section 501(c) of the United States Internal Revenue Code and that uses, saves or invests at least eighty (80) percent of all monies that it receives from all sources each year only for health and medical related educational and charitable services, as documented by annual financial audits prepared by an independent certified public accountant, performed according to generally accepted accounting standards and filed annually with the Arizona Department of Revenue. Monies that are used, saved or invested to lease, purchase or construct a facility for health and medical related education and charitable services are included in the eighty (80) percent requirement.

Qualifying hospital means any of the following:

(1) A licensed hospital which is organized and operated exclusively for charitable purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.
(2) A licensed nursing care institution or a licensed residential care institution or a residential care facility operated in conjunction with a licensed nursing care institution or a licensed kidney dialysis center, which provides medical services, nursing services or health related services and is not used or held for profit.
(3) A hospital, nursing care institution or residential care institution which is operated by the federal government, this State or a political subdivision of this State.
(4) A facility that is under construction and that on completion will be a facility under subdivision (1), (2) or (3) of this paragraph.

Receipt (of notice) by the taxpayer means the earlier of actual receipt or the first attempted delivery by certified United States mail to the taxpayer's address of record with the Tax Collector.

Remediation means those actions that are reasonable, necessary, cost-effective and technically feasible in the event of the release or threat of release of hazardous substances into the environment such that the waters of the State are or may be affected, such actions as may be necessary to monitor, assess and evaluate such release or threat of release, actions of remediation, removal or disposal of hazardous substances or taking such other actions as may be necessary to prevent, minimize or mitigate damage to the public health or welfare or to the waters of the State which may otherwise result from a release or threat of release of a hazardous substance that will or may affect the waters of the State. Remediation activities include the use of biostimulation with indigenous microbes and bioaugmentation using microbes that are nonpathogenic, non-opportunistic and that are naturally occurring. Remediation activities may include community information and participation costs and providing an alternative drinking water supply.

Rental equipment means tangible personal property sold, rented, leased, or licensed to customers to the extent that the item is actually used by the customer for rental, lease, or license to others; provided that:

(1) The vendee is regularly engaged in the business of renting, leasing, or licensing such property for a consideration; and

(2) The item so claimed as "rental equipment" is not used by the person claiming the exemption for any purpose other than rental, lease, or license for compensation, to an extent greater than fifteen (15) percent of its actual use.

Rental supply means an expendable or non-expendable repair or replacement part sold to become part of "rental equipment", provided that:

(1) The documentation relating to each purchased item so claimed specifically itemizes to the vendor the actual item of "rental equipment" to which the purchased item is intended to be attached as a repair or replacement part; and
(2) The vendee is regularly engaged in the business of renting, leasing, or licensing such property for a consideration; and
(3) The item so claimed as "rental equipment" is not used by the person claiming the exemption for any purpose other than rental, lease, or license for compensation, to an extent greater than fifteen (15) percent of its actual use.

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

Resides within the City means in cases other than individuals, whose legal addresses are determinative of residence, the engaging, continuing, or conducting of regular business activity within the City.

Restaurant means any business activity where articles of food, drink, or condiment are customarily prepared or served to patrons for consumption on or off the premises, also including bars, cocktail lounges, the dining rooms of hotels, and all caterers. For the purposes of this Chapter, a "fast food" business, which includes street vendors and mobile vendors selling in public areas or at entertainment or sports or similar events, who prepares or sells food or drink for consumption on or off the premises is considered a "restaurant", and not a "retailer".

Retail sale (sale at retail) means the sale of tangible personal property, except the sale of tangible personal property to a person regularly engaged in the business of selling such property.

Retailer means any person engaged or continuing in the business of sales of tangible personal property at retail.

Sale means any transfer of title or possession, or both, exchange, barter, conditional or otherwise, in any manner or by any means whatsoever, including consignment transactions and auctions, of property for a consideration. "Sale" includes any transaction whereby the possession of such property is transferred but the seller retains the title as security for the payment of the price. "Sale" also includes the fabrication of tangible personal property for consumers who, in whole or in part, furnish either directly or indirectly the materials used in such fabrication work.

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

Solar energy device means a system or series of mechanisms designed primarily to provide heating, to provide cooling, to produce electrical power, to produce mechanical power, to provide solar daylighting or to provide any combination of the foregoing by means of collecting and transferring solar generated energy into such uses either by active or passive means, including wind generator systems that produce electricity. Solar energy systems may also have the capability of storing solar energy for future use. Passive systems shall clearly be designed as a solar energy device, such as a Trombe wall, and not merely as a part of a normal structure, such as a window.

Speculative builder means either:

(1) An owner-builder who sells or contracts to sell, at any time, improved real property (as provided in Section 62-416) consisting of:

(A) Custom, model, or inventory homes, regardless of the stage of completion of such homes; or
(B) Improved residential or commercial lots without a structure; or

(2) An owner-builder who sells or contracts to sell improved real property, other than improved real property specified in subsection (1) above:

(A) Prior to completion; or
(B) Before the expiration of twenty-four (24) months after the improvements of the real property sold are substantially complete.

Substantially complete means the construction contracting or reconstruction contracting:

(1) Has passed final inspection or its equivalent; or
(2) Certificate of occupancy or its equivalent has been issued; or
(3) Is ready for immediate occupancy or use.

Supplier means any person who rents, leases, licenses, or makes sales of tangible personal property within the City, either directly to the consumer or customer or to wholesalers, jobbers, fabricators, manufacturers, modifiers, assemblers, repairers, or those engaged in the business of providing services which involve the use, sale, rental, lease, or license of tangible personal property.

Tax Collector means the Management Services Director or his designee or agent for all purposes under this Chapter.

Taxpayer means any person liable for any tax under this Chapter.

Taxpayer Problem Resolution Officer means the individual designated by the City to perform the duties identified in Sections 62-515 and 62-516. In cities with a population of fifty thousand (50,000) or more, the Taxpayer Problem Resolution Officer shall be an employee of the City. In cities with a population of less than fifty thousand (50,000), the Taxpayer Problem Resolution Officer need not be an employee of the City. Regardless of whether the Taxpayer Problem Resolution Officer is or is not an employee of the City, the Taxpayer Problem Resolution Officer shall have substantive knowledge of taxation. The identity of and telephone number for the Taxpayer Problem Resolution Officer can be obtained from the Tax Collector.

Telecommunication service means any service or activity connected with the transmission or relay of sound, visual image, data, information, images, or material over a communications channel or any combination of communications channels.

Transient means any person who either at the person's own expense or at the expense of another obtains lodging space or the use of lodging space on a daily or weekly basis, or on any other basis for less than thirty (30) consecutive days.

Utility service means the producing, providing, or furnishing of electricity, electric lights, current, power, gas (natural or artificial), or water to consumers or ratepayers.

SECTION 2: Section 62-120 of the Chandler City Code is hereby repealed.

SECTION 3: Section 62-200 of the Chandler City Code is amended as follows:

62-200. - Determination of gross income: In general.

A. Gross income includes:

1. The value proceeding or accruing from the sale of property, the providing of service, or both.
2. The total amount of the sale, lease, license for use, or rental price at the time of such sale, rental, lease, or license.
3. All receipts, cash, credits, barter, exchange, reduction of or forgiveness of indebtedness, and property of every kind or nature derived from a sale, lease, license for use, rental, or other taxable activity.
4. All other receipts whether payment is advanced prior to, contemporaneous with, or deferred in whole or in part subsequent to the activity or transaction.

B. Barter, exchange, trade-outs, or similar transactions are includable in gross income at the fair market value of the service rendered or property transferred, whichever is higher, as they represent consideration given for consideration received.

C. No deduction or exclusion is allowed from gross income on account of the cost of the property sold, the time value of money, expense of any kind or nature, losses, materials used, labor or service performed, interest paid, or credits granted.

D. For the purposes of this Chapter the total amount of gross income, gross receipts or gross proceeds of sales for nuclear fuel shall be deemed to be the value of the purchase price of uranium oxide used in producing the fuel. The tax imposed by this Chapter may be imposed only once for any one quantity or batch of nuclear fuel regardless of the number of transactions or financing arrangements which may occur with respect to that nuclear fuel.

SECTION 4: Section 62-300 of the Chandler City Code is amended as follows:

62-300. - Licensing requirements.

A. The following persons shall make application to the Tax Collector for a Transaction P~~p~~rivilege and Use Tax license~~, accompanied by a nonrefundable fee of fifteen dollars ($15.00),~~ and no person shall engage or continue in business or engage in such activities until he/she shall have such a license:

1. Every person ~~desiring to~~ engaging or continuing in business activities ~~activities~~ within the City or town upon which a Transaction Privilege tax is imposed by this chapter.
2. Every person, engaging or continuing in business within the City or Town, and storing or using tangible personal property in this municipality upon which a use tax is imposed by this chapter.
3. (Reserved)

~~B. A person engaged in more than one (1) activity subject to City privilege and use taxes at any one (1) business location is not required to obtain a separate license for each activity; provided that, at the time such person makes application for a license, he/she shall list on such application each category of activity in which he/she is engaged. The licensee shall inform the Tax Collector of any changes in his/her business activities, location, or mailing address within thirty (30) days.~~

For the purpose of determining whether a Transaction Privilege and Use tax license is required, a person shall be deemed to be "engaging or continuing in business" within the City or Town if:

(1) Engaging in any activity as a principal or broker, the gross receipts of which may be subject to Transaction Privilege Tax under Article IV of this Chapter, or
(2) Maintaining within the City or Town directly, or if a corporation by a subsidiary, an office, distribution house, sales house, warehouse or other place of business; maintaining within the city or town directly, or if a corporation by a subsidiary, any real or tangible personal property; or having any agent or other representative operating within the City or Town under the authority of such person, or if a corporation by a subsidiary, irrespective of whether such place of business, property, or agent or other representative is located here permanently or temporarily, or

(3) Soliciting sales, orders, contracts, leases, and other similar forms of business relationships, within the city or town from customers, consumers, or users located within the City or Town, by means of salesmen, solicitors, agents, representatives, brokers, and other similar agents or by means of catalogs or other advertising, whether such orders are received or accepted within or without this City or Town.

(4) A person shall also be deemed to be "engaging or continuing in business" if engaging in any activity subject to Use Tax under Article VI of this Chapter for business purposes. Individuals who acquire items subject to use tax for their own personal use or their family's personal use are not required to obtain a license.

(5) (Reserved)

C. ~~*Limitation.* The issuance of a privilege license by the Tax Collector shall in no way be construed as permission to operate a business activity in violation of any other law or regulation to which such activity may be subject.~~ A person engaging in more than one activity subject to Transaction Privilege tax at any one business location is not required to obtain a separate license for each activity, provided that, at the time such person makes application for a license, he shall list on such application each category of activity in which he is engaged.

(D) The licensee shall inform the Tax Collector of any changes in his business activities, location, or mailing address within thirty (30) days.

(E) Limitation. The issuance of a Transaction Privilege and Use tax license by the Tax Collector shall in no way be construed as permission to operate a business activity in violation of any other law or regulation to which such activity may be subject.

(F) Casual activity. For the purposes of this Chapter, individuals engaging in a "casual activity or sale" are not subject to the license requirements imposed under this Article provided that they are only engaged in private sales activities, such as the sale of a personal automobile or garage sale, on no more than three separate occasions during any calendar year.

SECTION 5: Section 62-305 of the Chandler City Code is repealed.

SECTION 6: Section 62-310 of the Chandler City Code is amended as follows:

62-310. - Licensing: ~~annual license fee; transferability; display; penalties; residential property provisions; cancellation; renewal; late application provisions; actions~~ Special Requirements.

A. ~~The privilege license shall be valid unless canceled or revoked under the provisions of section 62-320 or by surrender of the license by the licensee or expiration through cessation by the licensee of the business activity for which it was issued or through failure of the licensee to pay the annual license fee imposed hereunder.~~ Partnerships. Application for a Transaction Privilege and Use tax license for a partnership engaging or continuing in business shall provide, as a minimum, the names and addresses of all general partners.

Licenses issued to persons engaging in business as partners, limited or general, shall be in the name of the partnership.

B. ~~The privilege license shall be nontransferable between owners or locations, and shall be on display to the public in the licensee's place of business.~~ Limited Liability Companies. Application for a transaction privilege and use tax license for a Limited Liability Company (LLC) engaging or continuing in business shall provide, as a minimum, the names and addresses of all members and the manager. Licenses issued to persons engaging in business as Limited Liability Companies, shall be in the name of the LLC.

C. ~~Any licensee who permits his license to expire through cancellation as provided in section 62-320, by his request for cancellation, by surrender of the license, or by the cessation of the business activity for which the license was issued, and who thereafter applies for a license, shall be granted a new license as an original applicant, shall pay the application license fee imposed by section 62-300, and the annual license fee imposed herein. Any licensee who loses or misplaces his privilege license which is still in effect shall be charged the current application license fee for each reissuance of a license.~~ Corporations. Application for a Transaction Privilege and Use Tax license for a corporation engaging or continuing in business shall provide, as a minimum, the names and addresses of both the Chief Executive Officer and Chief Financial Officer of the corporation. Licenses issued to persons engaging in business as corporations shall be in the name of the corporation.

D. ~~In addition to the license application fee imposed under section 62-300, and excepting those persons paying the annual license fee imposed under F. and G. of this Section, each person licensed under this chapter shall pay an annual license fee of fifty dollars ($50.00) for each license held by such person. Such fee shall be due and payable on or before January 1 of each year and shall be considered delinquent if not received on or before the last business day of January. Such annual fee must be paid to and received by the Tax Collector by the due date and shall be nonrefundable.~~ Multiple locations or multiple business names. A person engaging or continuing in one or more businesses at two (2) or more locations or under two (2) or more business names shall procure a license for each such location or business name. A "location" is a place of a separate business establishment.

E. ~~Any licensee who fails to renew his license on or before the date provided in D. above shall be deemed to be operating without a license following such due date, and shall be subject to all penalties imposed under this Chapter against persons required to be licensed and operating without a license. The non-licensed status may be removed by payment of an annual license fee in the amount of one hundred fifty (150) percent of the fee imposed under~~

~~D. above, and the payment of a nonrefundable application fee required under section 62-300.~~ Real Property Rental, Leasing, and Licensing for Use. In all cases the Transaction Privilege and Use Tax license shall be issued only to the owner of the real property regardless of the owner engaging a property manager or other broker to oversee the owner's business activity including filing tax returns on behalf of the owner. Each rental property that can be independently sold or transferred is deemed to be a separate business establishment. Each

platted parcel of real property subject to the tax imposed by this chapter is deemed to be a separate business establishment and requires a separate license, regardless of the number of rental units located on that platted parcel. If one structure is located on multiple parcels in a manner such that ownership of an individual parcel cannot be sold or transferred without requiring alteration to divide the structure, one license shall be required for all affected parcels.

~~F. Notwithstanding the provisions of D. above, a person who is engaged in the rental of residential real property, other than transient lodging, shall pay an annual license fee of two dollars ($2.00) per residential unit (excluding units primarily used for transient lodging) per year not to exceed a maximum of fifty dollars ($50.00) per license. The due date for such fees shall be as set forth in D. above, and such fee shall be nonrefundable. Any licensee required to pay an annual fee under this subsection, who fails to pay same by said due date shall be deemed to be operating without a license after such date, and subject to all penalties imposed under this chapter against persons required to be licensed and operating without a license. The non-licensed status may be removed by payment of a penalty of an additional one dollar ($1.00) per residential unit per year not to exceed twenty-five dollars ($25.00) per license, the annual license fee, and the payment of a non-refundable application fee required under section 62-300.~~

~~G. (Reserved)~~

~~H. If any person required to be licensed under this chapter fails to obtain a license on or before the conducting of any business activity requiring such license, such person shall be subject to a penalty in the amount of one hundred fifty (150) percent of the applicable fee for each event or period of time for which such fee would have been imposed from and after the date on which such activity commenced until paid. This penalty shall be in addition to any other penalty imposed under this chapter and must be paid prior to the issuance of any license.~~

~~I. Notwithstanding the failure of any person to apply for a license and to remit all fees and penalties, if any, imposed herein, such person conducting a business activity subject to licensing without obtaining a license, shall be liable to the City for all applicable fees and shall be subject to the provisions of Sections 580 and 590, to the same extent as if said fees and penalties were taxes and penalties under such sections.~~

~~J. (Reserved)~~

SECTION 7: Section 62-315 of the Chandler City Code is repealed.

SECTION 8: Section 62-320 of the Chandler City Code is amended as follows:

62-320. – ~~Licensing; cancellation; revocation~~. License Fees; Annual Renewal; Renewal Fees

A. ~~*Cancellation.* The Tax Collector shall be authorized to cancel the City privilege license of any licensee as "inactive" if the taxpayer, required to report monthly to the City, has neither filed any return nor remitted to the City any taxes imposed by this chapter for a period of six (6) consecutive months; or, if required to report quarterly, has neither filed any return nor remitted any taxes imposed by this chapter for two (2) consecutive quarters; or, if required to report annually, has neither filed any return nor remitted any taxes imposed by this chapter when such annual report and tax are due to be filed with and remitted to the Tax Collector.~~ The Transaction Privilege and Use Tax license shall be valid upon receipt of a non-refundable license fee of Fifty Dollars ($50.00), except for a license to engage in the business activity of residential or commercial real property rental, leasing, and licensing for use as separately identified in this section. The transaction privilege and use tax license shall be valid only for the calendar year in which it is issued unless renewed each year by filing the appropriate application for license renewal and paying an annual license renewal fee of Fifty Dollars ($50.00) for each license, subject to the limitations in A.R.S. 42-5005. Such annual renewal fee shall be due and payable on January 1 of each year and shall be considered delinquent if not paid and received on or before the last business day of January.

B. ~~*Revocation.* If any licensee fails to pay any tax, interest, penalty, fee, or sum required to be paid to the City under this chapter, or if such licensee fails to comply with any other provisions of this chapter, the Tax Collector shall be authorized to revoke the City privilege license of said licensee.~~ The Transaction Privilege and Use Tax license to engage in the business activity of residential real property rental, leasing, and licensing for use shall be valid only upon receipt of a non-refundable license fee of Two Dollars ($2.00) per rental unit up to a maximum of Fifty Dollars (50.00). The Transaction Privilege and Use tax license shall be valid only for the calendar year in which it is issued unless renewed each year by filing the appropriate application for license renewal and paying an annual license renewal fee of Two Dollars ($2.00) per rental unit up to a maximum of Fifty Dollars ($50.00) for each license, subject to the limitations in A.R.S. 42-5005. Such fee shall be due and payable on January 1 of each year and shall be considered delinquent if not paid and received on or before the last business day of January. For the purpose of calculating annual license renewal fee due subject to the limitations in A.R.S. 42-5005(k), the single municipal privilege tax license renewal fee shall be based on the business location in this City/Town with the greatest number of rental units.

C. ~~*Notice and hearing.* The Tax Collector shall deliver notice to such licensee of cancellation or revocation of the privilege license. If within twenty (20) days the licensee so notified requests a hearing, he/she shall be granted a hearing before the Tax Collector.~~ . The Transaction Privilege and Use Tax license to engage in the business activity of commercial real property rental, leasing, and licensing for use shall be valid only upon receipt of a non-refundable license fee of Fifty Dollars ($50.00). The Transaction Privilege and Use Tax License shall be valid only for the calendar year in which it is issued unless renewed each year by filing the appropriate application for license renewal and paying an annual license renewal fee of Fifty Dollars ($50.00) for each license, subject to the limitations in A.R.S. 42-5005. Such fee shall be due and payable on January 1 of each year and shall be considered delinquent if not paid and received on or before the last business day of January.

~~D. After cancellation or revocation of a taxpayer's license, the taxpayer shall not be relicensed until all reports have been filed; all fees, taxes, interest, and penalties due have been paid; and he/she is in compliance with the provisions of this chapter.~~

SECTION 9: Section 62-330 of the Chandler City Code is amended as follows:

62-330. ~~Operating without a license~~. Licensing: Duration; Transferability; Display; Penalties; Penalty Waiver; Relicensing; Fees Collectible as if Taxes.

~~It shall be unlawful for any person who is required by this chapter to obtain a privilege license to engage in or continue in business within the City without a license. The Tax Collector shall assess any delinquencies in tax, interest, and penalties which may apply against such person upon any transactions subject to the taxes imposed by this chapter.~~

a. The transaction privilege and use tax license shall be valid only for the calendar year in which it is issued unless renewed each year by filing the appropriate application for license renewal and paying the applicable license renewal fee for each license, subject to the limitations in A.R.S. 42-5005. Such fee shall be due and payable on January 1 of each year and shall be considered delinquent if not paid and received on or before the last business day of January. Application and payment of the annual fee must be received in the Tax Collector's office to be deemed paid and received.
b. The Transaction Privilege and Use Tax license shall be nontransferable between owners or locations, and shall be on display to the public in the licensee's place of business.
c. Any person required to be licensed under this chapter who fails to obtain a license on or before conducting any business activity requiring such license shall be subject to the license fees due for each year in business plus a penalty in the amount of Fifty Percent (50%) of the applicable fee for each period of time for which such fee would have been imposed, from and after the date on which such activity commenced until paid. This penalty shall be in addition to any other penalty imposed under this chapter and must be paid prior to the issuance of any license. License fee penalties may be waived by the Tax Collector subject to the same terms as the waiver of tax penalties as provided for in Section 62-540.
d. Any licensee who fails to renew his license on or before the due date shall be deemed to be operating without a license following such due date, and shall be subject to all penalties imposed under this chapter against persons required to be licensed and operating without a license. The non-licensed status may be removed by payment of the annual license fee for each year or portion of a year he operated without a license, plus a license fee penalty of 50% of the license fee due for each year. License fee penalties may be waived by the Tax Collector subject to the same terms as the waiver of tax penalties as provided for in Section 62-540.
e. Any licensee who permits his license to expire through cancellation as provided in Section 62-340, by his request for cancellation, by surrender of the license, or by the cessation of the business activity for which the license was issued, and who thereafter applies for a license, shall be granted a new license as a new applicant and shall pay the current license fee imposed under Section 62-320.

(f) Any licensee who needs a copy of his transaction privilege and use tax license which is still in effect shall be charged the current license fee for each reissuance of a license.

(g) Any person conducting a business activity subject to licensing without obtaining a transaction privilege and use tax license shall be liable to the city for all applicable fees and penalties and shall be subject to the provisions of Sections 62-580 and 62-590, to the same extent as if such fees and penalties were taxes and penalties under such Sections.

SECTION 10: The Chandler City Code is amended to add a new Section 62-340 to read as follows:

(a) Cancellation. The Tax Collector may cancel the Transaction Privilege and Use Tax license of any licensee as "inactive" if the taxpayer, required to report monthly, has neither filed any return nor remitted any taxes imposed by this chapter for a period of six (6) consecutive months; or, if required to report quarterly, has neither filed any return nor remitted any taxes imposed by this chapter for two (2) consecutive quarters; or, if required to report annually, has neither filed any return nor remitted any taxes imposed by this chapter when such annual report and tax are due to be filed with and remitted to the Tax Collector.

(b) Revocation. If any licensee fails to pay any tax, interest, penalty, fee, or sum required to be paid under this chapter, or if such licensee fails to comply with any other provisions of this chapter, the Tax Collector may revoke the Transaction Privilege and Use Tax license of said licensee.

(c) Notice and hearing. The Tax Collector shall deliver notice to such licensee of cancellation or revocation of the transaction privilege and use tax license. if the licensee requests a hearing within twenty (20) days of receipt of such notice, he shall be granted a hearing before the Tax Collector.

(d) After cancellation or revocation of a taxpayer's license, the taxpayer shall not be issued a new license until all reports have been filed; all fees, taxes, interest, and penalties due have been paid; and he is in compliance with all provisions of this chapter.

SECTION 11: Section 62-350 of the Chandler City Code is amended as follows:

62-350. ~~Recordkeeping requirements.~~ Operating Without a License.
~~A. It shall be the duty of every person subject to the tax imposed by this chapter to keep and preserve suitable records and such other books and accounts as may be necessary to determine the amount of tax for which he/she is liable under this chapter. The books and records must contain, at a minimum, such detail and summary information as may be required by regulation; or when records are maintained within an electronic data processing (EDP) system, the requirements established by the Arizona Department of Revenue for privilege tax filings will be accepted. It shall be the duty of every person to keep and preserve such books and records for a~~

~~period equal to the applicable limitation period for assessment of tax, and all such books and records shall be open for inspection by the Tax Collector during any business day.~~
~~B. The Tax Collector may direct, by letter, a specific taxpayer to keep specific other books, records, and documents. Such letter directive shall apply:~~

~~1. Only for future reporting periods, and~~

~~2. Only by express determination of the Tax Collector that such specific recordkeeping is necessary due to the inability of the City to conduct an adequate examination of the past activities of the taxpayer, which inability resulted from inaccurate or inadequate books, records, or documentation maintained by the taxpayer.~~

It shall be unlawful for any person who is required by this chapter to obtain a Transaction Privilege and Use Tax License to engage in or continue in business without a license. The Tax Collector shall assess any delinquencies in tax, interest, and penalties which may apply against such person upon any transactions subject to the taxes imposed by this Chapter.

SECTION 12: Section 62-360 of the Chandler City Code is amended as follows:

62-360. - Recordkeeping~~: claim of exclusion, exemption, deduction, or credit; documentation; liability.~~ Requirements.

A. ~~All deductions, exclusions, exemptions, and credits provided in this chapter are conditional upon adequate proof and documentation of such as may be required either by this chapter or regulation.~~ It shall be the duty of every person subject to the tax imposed by this Chapter to keep and preserve suitable records and such other books and accounts as may be necessary to determine the amount of tax for which he is liable under this chapter. The books and records must contain, at a minimum, such detail and summary information as may be required by this article; or when records are maintained within an electronic data processing (edp) system, the requirements established by the Arizona Department of Revenue for Privilege Tax filings will be accepted. It shall be the duty of every person to keep and preserve such books and records for a period equal to the applicable limitation period for assessment of tax, and all such books and records shall be open for inspection by the Tax Collector during any business day.

B. ~~Any person who claims and receives an exemption, deduction, exclusion, or credit to which he/she is not entitled under this chapter, shall be subject to, liable for, and pay the tax on the transaction as if the vendor subject to the tax had passed the burden of the payment of the tax to the person wrongfully claiming the exemption. A person who wrongfully claimed such exemption shall be treated as if he/she is delinquent in the payment of the tax and shall be subject to interest and penalties upon such delinquency. However, if the tax is collected from the vendor on such transaction it shall not again be collected from the person claiming the exemption, or if collected from the person claiming the exemption it shall not also be collected from the vendor.~~

The Tax Collector may direct, by letter, a specific taxpayer to keep specific other books, records, and documents. Such letter directive shall apply:

(1) Only for future reporting periods, and
(2) Only by express determination of the Tax Collector that such specific recordkeeping is necessary due to the inability of the taxing jurisdiction to conduct an adequate examination of the past activities of the taxpayer, which inability resulted from inaccurate or inadequate books, records, or documentation maintained by the taxpayer.

SECTION 13: Chapter 62 is amended by adding a new Section 62-362 to read as follows:

Sec. 62-362. RECORDKEEPING; INCOME.

The minimum records required for persons having gross income subject to, or exempt or excluded from, tax by this chapter must show:

(a) The gross income of the taxpayer attributable to any activity occurring in whole or in part in the City.

(b) The gross income taxable under this chapter, divided into categories as stated in the official City tax return.

(c) The gross income subject to Arizona Transaction Privilege taxes, divided into categories as stated in the official State tax return.

(d) The gross income claimed to be exempt, and with respect to each activity or transaction so claimed:

(1) If the transaction is claimed to be exempt as a sale for resale or as a sale, rental, lease, or license for use of rental equipment:

(a) The City Privilege License number and State Transaction Privilege tax license number of the customer (or the equivalent city, if applicable, and state tax numbers of the city and state where the customer resides), and

(b) The name, business address, and business activity of the customer, and

(c) Evidence sufficient to persuade a reasonably prudent businessman that the transaction is believed to be in good faith a purchase for resale, or a purchase, rental, lease, or license for use of rental equipment, by the vendee in the ordinary and regular course of his business activity, as provided by regulation.

(2) If the transaction is claimed to be exempt for any other reason:

(a) The name, business address, and business activity of the customer, and

(b) Evidence which would establish the applicability of the exemption to a reasonably prudent businessman acting in good faith. Ordinary business documentation which would reasonably indicate the applicability of an exemption shall be sufficient to relieve the person on whom the tax would otherwise be imposed from liability therein, if he acts in good faith as provided by regulation.

(e) With respect to those allowed deductions or exclusions for tax collected or charges for delivery or other direct customer services, where applicable, evidence that the deductible income has been separately stated and shown on the records of the taxpayer and on invoices or receipts provided to the customer. All other deductions, exemptions, and exclusions, and exclusions shall be separately shown and substantiated.

(f) With respect to special classes and activities, such other books, records, and documentation as the Tax Collector, by regulation, shall deem necessary for specific classes of taxpayer by reason of the specialized business activity of any such class.

(g) In all cases, the books and records of the taxpayer shall indicate both individual transaction amounts and totals for each reporting period for each category of taxable, exempt, and excluded income defined by this Chapter.

SECTION 14: Chapter 62 is amended by adding a new Section 62-364 to read as follows:

Sec. 62-364. Recordkeeping: Expenditures.

The minimum records required for persons having expenditures, costs, purchases and rental or lease or license expenses subject to, or exempt or excluded from, tax by this chapter are:

(a) The total price of all goods acquired for use or storage in the city.

(b) The date of acquisition and the name and business address of the seller or lessor of all goods acquired for use or storage in the city.

(c) Documentation of taxes, freight, and direct customer service labor separately charged and paid for each purchase, rental, lease, or license.

(d) The gross price of each acquisition claimed as exempt from tax, and with respect to each transaction so claimed, sufficient evidence to satisfy the tax collector that the exemption claimed is applicable.

(e) As applicable to each taxpayer, documentation sufficient to the tax collector, so that he may ascertain:

(1) All construction expenditures and all privilege and use taxes claimed paid, relating to owner-builders and speculative builders.

(2) Disbursement of collected gratuities and related payroll information required of restaurants.

(3) (Reserved)

(a) (Reserved)

(b) (Reserved)

(4) The validity of any claims of proof of exemption.

(5) A claimed alternative prior value for reconstruction.

(6) All claimed exemptions to the use tax imposed by article vi of this chapter.

(7) (Reserved)

(8) (Reserved)

(9) (Reserved)

(f) Any additional documentation as the Tax Collector, by regulation, shall deem necessary for any specific class of taxpayer by reason of the specialized business activity of specific exemptions afforded to that class of taxpayer.

(g) In all cases, the books and records of the taxpayer shall indicate both individual transaction amounts and totals for each reporting period for each category of taxable, exempt, and excluded expenditures as defined by this Chapter.

SECTION 15: Chapter 62 is amended by adding a new Section 62-366 to read as follows:

Sec. 62-366. Recordkeeping: out-of-City and out-of-State sales.

(a) Out-of-City sales. Any person engaging or continuing in a business who claims Out-of-City sales shall maintain and keep accounting records or books indicating separately the gross income from the sales of tangible personal property from such out-of-city branches or locations.

(b) Out-of-State sales. Persons engaged in a business claiming Out-of-State sales shall maintain accounting records or books indicating for each out-of-state sale the following documentation:

(1) Documentation of location of the buyer at the time of order placement; and

(2) Shipping, delivery, or freight documents showing where the buyer took delivery; and

(3) Documentation of intended location of use or storage of the tangible personal property sold to such buyer.

SECTION 16: Section 62-370 of the Chandler City Code is amended as follows:

62-370. ~~Inadequate or unsuitable records.~~ Recordkeeping: Claim of Exclusion, Exemption, Deduction, or Credit ; Documentation; Liability.
~~In the event the records provided by the taxpayer are considered by the Tax Collector to be inadequate or unsuitable to determine the amount of the tax for which such taxpayer is liable under the provisions of this chapter, it is the responsibility of the taxpayer either:~~

~~1. To provide such other records required by this chapter or regulation; or~~

~~2. To correct or to reconstruct his/her records, to the satisfaction of the Tax Collector.~~

(a) All deductions, exclusions, exemptions, and credits provided in this Chapter are conditional upon adequate proof and documentation of such as may be required either by this Chapter or regulation.

(b) Any person who claims and receives an exemption, deduction, exclusion, or credit to which he is not entitled under this chapter, shall be subject to, liable for, and pay the tax on the transaction as if the vendor subject to the tax had passed the burden of the payment of the tax to the person wrongfully claiming the exemption. a person who wrongfully claimed such exemption shall be treated as if he is delinquent in the payment of the tax and shall be subject to interest and penalties upon such delinquency. However, if the tax is collected from the vendor on such transaction it shall not again be collected from the person claiming the exemption, or if collected from the person claiming the exemption it shall not also be collected from the vendor.

SECTION 17: Chapter 62 is amended by adding a new Section 62-372 to read as follows:

Sec. 62-372. Proof of exemption: sale for resale; sale, rental, lease, or license of rental equipment.

A claim of purchase for resale or of purchase, rental, lease, or license for rent, lease, or license is valid only if the evidence is sufficient to persuade a reasonably prudent businessman that the particular item is being acquired for resale or for rental, lease, or license in the ordinary course of business. The fact that the acquiring person possesses a privilege license number, and makes a verbal claim of "sale for resale or lease" or "lease for re-lease" does not meet this burden and is insufficient to justify an exemption. The "reasonable evidence" must be evidence which exists objectively, and not merely in the mind of the vendor, that the property being acquired is

normally sold, rented, leased, or licensed by the acquiring person in the ordinary course of business. Failure to obtain such reasonable evidence at the time of the transaction will be a basis for disallowance of any claimed deduction on returns filed for such transactions.

SECTION 18: Chapter 62 is amended by adding a new Section 62-380 to read as follows:

Sec. 62-380. Inadequate or unsuitable records.

In the event the records provided by the taxpayer are considered by the tax collector to be inadequate or unsuitable to determine the amount of the tax for which such taxpayer is liable under the provisions of this chapter, it is the responsibility of the taxpayer either:

(a) To provide such other records required by this Chapter or Regulation; or

(b) To correct or to reconstruct his records, to the satisfaction of the Tax Collector.

SECTION 19: Section 62-425 of the Chandler City Code is amended as follows:

62-425. Job printing.

a. The tax rate shall be at an amount equal to one and one-half (1½) percent of the gross income from the business activity upon every person engaging or continuing in the business of job printing, which includes engraving of printing plates, embossing, copying, micrographics, and photo reproduction.

b. The tax imposed by this Section shall not apply to:

1. Job printing purchased for the purpose of resale by the purchaser in the form supplied by the job printer.
2. Out-of-City sales.
3. Out-of-State sales.
4. Job printing of newspapers, magazines, or other periodicals or publications for a person who is subject to the tax imposed by subsection 435(a) or an equivalent excise tax; provided further that said person is properly licensed by the taxing jurisdiction at the location of publication.
5. Sales of job printing to a qualifying hospital, qualifying community health center or a qualifying health care organization, except when the property sold is for use in activities resulting in gross income from unrelated business income as that term is defined in 26 U.S.C. Section 512.
6. (Reserved).
7. Sales of postage and freight except that the amount deducted shall not exceed the actual postage and freight expense that is paid to the united states postal service or a commercial delivery service and that is separately itemized by the taxpayer on the customer's invoice and in the taxpayer's records.

SECTION 20: Section 62-445 of the Chandler City Code is amended as follows:

62-445. - Rental, leasing, and licensing for use of real property.

(a) The tax rate shall be at an amount equal to one and one-half (1.5) percent of the gross income from the business activity upon every person engaging or continuing in the business of leasing or renting real property located within the City for a consideration, to the tenant in actual possession, or the licensing for use of real property to the final licensee located within the City for a consideration including any improvements, rights, or interest in such property; provided further that:

(1) Payments made by the lessee to, or on behalf of, the lessor for property taxes, repairs, or improvements are considered to be part of the taxable gross income.
(2) Charges for such items as telecommunications, utilities, pet fees, or maintenance are considered to be part of the taxable gross income.

(3) However, if the lessor engages in telecommunication activity, as evidenced by installing individual metering equipment and by billing each tenant based upon actual usage, such activity is taxable under Section 62-470.

(b) If individual utility meters have been installed for each tenant and the lessor separately charges each single tenant for the exact billing from the utility company, such charges are exempt.

(c) Charges by a qualifying hospital, qualifying community health center or a qualifying health care organization to patients of such facilities for use of rooms or other real property during the course of their treatment by such facilities are exempt.

(d) Charges for joint pole usage by a person engaged in the business of providing or furnishing utility or telecommunication services to another person engaged in the business of providing or furnishing utility or telecommunication services are exempt from the tax imposed by this section.

(e) (Reserved).

(f) (Reserved).

(g) (Reserved).

(h) (Reserved).

(i) (Reserved).

(j) Exempt from the tax imposed by this section is gross income derived from the activities taxable under Section 62-444 of this Code.

(k) (Reserved).

(l) (Reserved).

(m)(Reserved).

(n) Notwithstanding the provisions of Section 62-200(b), the fair market value of one (1) apartment, in an apartment complex provided rent free to an employee of the apartment complex is not subject to the tax imposed by this section. For an apartment complex with more than fifty (50) units, an additional apartment provided rent free to an employee for every additional fifty (50) units is not subject to the tax imposed by this section.

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

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

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

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

(s) ~~The gross proceeds of sales or gross income derived from a commercial lease in which a reciprocal insurer or a corporation leases real property to an affiliated corporation is exempt. For the purposes of this paragraph~~ The gross proceeds of a commercial lease of real property between affiliated companies, businesses, persons or reciprocal insurers are exempt, for the purposes of this paragraph:

(1) ~~"Affiliated corporation" means a corporation that meets one (1) of the following conditions~~ "Affiliated companies, businesses, persons or reciprocal insurers" means the lessor holds a controlling interest in the lessee, the lessee holds a controlling interest in

the lessor. An Affiliated entity holds a controlling interest in both the lessor and the lessee or an unrelated person holds a controlling interest in both the lessor and lessee.

~~(A) The corporation owns or controls at least eighty (80) percent of the lessor.~~
~~(B) The corporation is at least eighty (80) percent owned or controlled by the lessor.~~
~~(C) The corporation is at least eighty (80) percent owned or controlled by a corporation that also owns or controls at least eighty (80) percent of the lessor.~~
~~(D) The corporation is at least eighty (80) percent owned or controlled by a corporation that is at least eighty (80) percent owned or controlled by a reciprocal insurer.~~

(2) "Controlling Interest" means direct or indirect ownership of at least eighty percent of the voting shares of a corporation or of the interests in a company, business or person other than a corporation. ~~For the purposes of subsection (1), ownership and control are determined by reference to the voting shares of a corporation~~.

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

~~(t) The gross proceeds of sales or gross income derived from a commercial lease in which a corporation leases real property to a corporation of which at least eighty (80) percent of the voting shares of each corporation are owned by the same shareholders is exempt.~~

SECTION 21: Section 62-450 of the Chandler City Code is amended as follows:

62-450. - Rental, leasing, and licensing for use of tangible personal property.

(a) The tax rate shall be at an amount equal to one and one-half (1.5) percent of the gross income from the business activity upon every person engaging or continuing in the business of leasing, licensing for use, or renting tangible personal property for a consideration, including that which is semi-permanently or permanently installed within the City as provided by Regulation.

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

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

(1) Rental, leasing, or licensing for use of tangible personal property to persons engaged or continuing in the business of leasing, licensing for use, or rental of such property.

(2) Rental, leasing, or licensing for use of tangible personal property that is semi-permanently or permanently installed within another city or town that levies an equivalent excise tax on the transaction.
(3) Rental, leasing, or licensing for use of film, tape, or slides to a theater or other person taxed under Section 62-410, or to a radio station, television station, or subscription television system.
(4) Rental, leasing, or licensing for use of the following:

(A) Prosthetics,
(B) Income-producing capital equipment,
(C) Mining and metallurgical supplies.
These exemptions include the rental, leasing, or licensing for use of tangible personal property which, if it had been purchased instead of leased, rented, or licensed by the lessee or licensee, would qualify as income-producing capital equipment or mining and metallurgical supplies.

(5) Rental, leasing, or licensing for use of tangible personal property to a qualifying hospital, qualifying community health center or a qualifying health care organization, except when the property so rented, leased, or licensed is for use in activities resulting in gross income from unrelated business income as that term is defined in 26 U.S.C. Section 512 or rental, leasing, or licensing for use of tangible personal property in this State by a nonprofit charitable organization that has qualified under Section 501(c)(3) of the United States Internal Revenue Code and that engages in and uses such property exclusively for training, job placement or rehabilitation programs or testing for mentally or physically handicapped persons.
(6) Separately billed charges for delivery, installation, repair, and/or maintenance as provided by Regulation.
(7) Charges for joint pole usage by a person engaged in the business of providing or furnishing utility or telecommunication services to another person engaged in the business of providing or furnishing utility or telecommunication services.
(8) (Reserved).
(9) Rental, leasing or licensing of aircraft that would qualify as aircraft acquired for use outside the state, as prescribed by Regulation, if such rental, leasing, or licensing had been a sale.
(10) Rental, leasing and licensing for use of an alternative fuel vehicle if such vehicle was manufactured as a diesel fuel vehicle and converted to operate on alternative fuel and equipment that is installed in a conventional diesel fuel motor vehicle to convert the vehicle to operate on an alternative fuel, as defined in A.R.S. Section 1-215.
(11) Rental, leasing, and licensing for use of solar energy devices, for taxable periods beginning from and after July 1, 2008. The lessor shall register with the Department of Revenue as a solar energy retailer. By registering, the lessor acknowledges that it will make its books and records relating to leases of solar energy devices available to the Department of Revenue and City, as applicable, for examination.

(12) Leasing or renting certified ignition interlock devices installed pursuant to the requirements prescribed by A.R.S. Section 28-1461 for the purposes of this paragraph, "certified ignition interlock device" has the same meaning prescribed in A.R.S. section 28-1301.

SECTION 22: Section 62-460 of the Chandler City Code is amended as follows:

62-460. - Retail sales: measure of tax; burden of proof; exclusions.

~~A.~~(a) The tax rate shall be at an amount equal to one and one-half (1½) percent of the gross income from the business activity upon every person engaging or continuing in the business of selling tangible personal property at retail.

~~B.~~(b) The burden of proving that a sale of tangible personal property is not a taxable retail sale shall be upon the person who made the sale.

~~C.~~(c) Exclusions. For the purposes of this chapter, sales of tangible personal property shall not include:

~~1.~~(1) Sales of stocks, bonds, options, or other similar materials.

~~2.~~(2) Sales of lottery tickets or shares pursuant to A.R.S. Article I, Chapter 5, Title 5.

~~3.~~(3) Sales of platinum, bullion, or monetized bullion, except minted or manufactured coins transferred or acquired primarily for their numismatic value as prescribed by regulation.

~~4.~~(4) Gross income derived from the transfer of tangible personal property which is specifically included as the gross income of a business activity upon which another section of this Article imposes a tax, shall be considered gross income of that business activity, and are not includable as gross income subject to the tax imposed by this Section.

~~5.(5)~~ Sales by professional or personal service occupations where such sales are inconsequential elements of the service provided.

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

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

(B) Prepaid calling cards or prepaid authorization numbers for telecommunications services made taxable by subsection (g) of this section

~~D.~~(d) (Reserved).

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

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

~~G.~~(g) Retail sales of prepaid calling cards or prepaid authorization numbers for telecommunications services, including sales of reauthorization of a prepaid card or authorization number, are subject to tax under this Section.

SECTION 23: The Chandler City Code is amended by adding a new Section 62-462 as follows:

62-462. Retail Sales: Food for Home Consumption.

(a) The tax rate shall be at an amount equal to one and one-half percent (1.5%) of the gross income from the business activity upon every person engaging or continuing in the business of selling food for home consumption at retail.

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

(1) "Eligible Grocery Business" means an establishment 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.

(2) "Facilities for the consumption of Food" means tables, chairs, benches, booths, stools, counters, and similar conveniences, trays, glasses, dishes, or other tableware and parking areas for the convenience of in-car consumption of food in or on the premises on which the retailer conducts business.

(3) "Food for Consumption on the Premises" means any of the following:

(A) "Hot Prepared Food" as defined below.
(B) Hot or cold sandwiches.
(C) Food served by an attendant to be eaten at tables, chairs, benches, booths, stools, counters, and similar conveniences and within parking areas for the convenience of in-car consumption of food.
(D) Food served with trays, glasses, dishes, or other tableware.
(E) Beverages sold in cups, glasses, or open containers.
(F) Food sold by caterers.
(G) Food sold within the premises of theatres, movies, operas, shows of any type or nature, exhibitions, concerts, carnivals, circuses, amusement parks, fairs, races, contests, games, athletic events, rodeos, billiard and pool parlors, bowling alleys, public dances, dance halls, boxing, wrestling and other matches, and any business which charges admission, entrance, or cover fees for exhibition, amusement, entertainment, or instruction.
(H) Any items contained in Subsections (a)(3)(a) through (g) above even though they are sold on a "take-out" or "to go" basis, and whether or not the item is packaged, wrapped, or is actually taken from the premises.

(4) "Hot prepared food" means those products, items, or ingredients of food which are prepared and intended for consumption in a heated condition. "hot prepared food" includes a combination of hot and cold food items or ingredients if a single price has been established.

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

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

(A) An eligible grocery business.
(B) A person who conducts a business whose primary business is not the sale of food but who sells food which is displayed, packaged, and sold in a similar manner as an eligible grocery business.
(C) A person who sells food and does not provide or make available any facilities for the consumption of food on the premises.
(D) A person who conducts a delicatessen business either from a counter which is separate from the place and cash register where taxable sales are made or from a counter which has two cash registers and which are used to record taxable and tax exempt sales, or a retailer who conducts a delicatessen business who uses a cash register which has at least two tax computing keys which are used to record taxable and tax exempt sales.
(E) Vending machines and other types of automatic retailers.

(F) A person's sales of food, drink and condiment for consumption within the premises of any prison, jail or other institution under the jurisdiction of the state department of corrections, the department of public safety, the department of juvenile corrections or a county sheriff.

(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 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) but only to the extent that food stamps or food instruments were 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 may be attended in substitution for a public school pursuant to A.R.S. 15-802 ; to the extent such items are to be prepared or served to individuals for consumption on the premises of a public educational entity during school hours. for the purposes of this subsection, "accessories" means paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper sacks or other disposable containers, or other items which facilitate the consumption of the food.

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

(d) Reporting. Such persons who sell food for home consumption shall, in conjunction with the return required pursuant to Section 62-520, report to the tax collector in a manner prescribed by the Tax Collector all sales of food for home consumption exempted from taxes imposed by this Chapter.

(e) Recordkeeping.

(1) Retailers shall maintain accurate, verifiable, and complete records of all purchases and sales of tangible personal property in order to verify exemptions from taxes imposed by this chapter. a retailer may use any method of reporting that properly reflects all purchases and sales of food for home consumption, as well as all purchases and sales of items subject to taxes imposed by this chapter, provided that such records are maintained in accordance with article iii, and regulations of the Tax Collector.

(2) Any person who fails to maintain records as provided herein shall be deemed to have had no sales of food for home consumption, and if upon request by the Tax Collector, a person cannot demonstrate to the Tax Collector that such records and reports do properly reflect all sales of food for home consumption, the tax collector may recompute the amount of tax to be paid as provided in Sections 62-370 and 62-545(b).

SECTION 24: The Chandler City Code is amended by amending Section 62-465 as follows:

62-465. - Retail sales: exemptions.

Income derived from the following sources is exempt from the tax imposed by Section 62-460:

(a) Sales of tangible personal property to a person regularly engaged in the business of selling such property.

(b) Out-of-City sales or Out-of-State sales.

(c) Charges for delivery, installation, or other direct customer services as prescribed by Regulation.

(d) Charges for repair services as prescribed by Regulation, when separately charged and separately maintained in the books and records of the taxpayer.

(e) Sales of warranty, maintenance, and service contracts, when separately charged and separately maintained in the books and records of the taxpayer.

(f) Sales of prosthetics.

(g) Sales of income-producing capital equipment.

(h) Sales of rental equipment and rental supplies.

(i) Sales of mining and metallurgical supplies.

(j) Sales of motor vehicle fuel and use fuel which are subject to a tax imposed under the provisions of Article I or II, Chapter 16, Title 28, Arizona Revised Statutes; or sales of use fuel to a holder of a valid single trip use fuel tax permit issued under A.R.S. Section 28-5739, or sales of natural gas or liquefied petroleum gas used to propel a motor vehicle.

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

(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 (100) percent of the gross income derived from retail sales made by a manufacturer, modifier, assembler, or repairer.
(2) Fifty (50) percent of the gross income derived from retail sales made by any other person.

(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 prepared or served to patrons for consumption on or off the premises, where the purchaser is properly licensed and paying a tax under Section 62-455 or the equivalent excise tax upon such income.

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

(q) ~~Food purchased 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) but only to the extent that food stamps or food instruments were actually used to purchase such food.~~ (Reserved.)

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

(1) Seed, fertilizer, fungicides, seed treating chemicals, and other similar chemicals.
(2) Feed for livestock, poultry or ratites, including salt, vitamins, and other additives to such feed.
(3) Livestock, poultry or ratites purchased or raised for slaughter, but not including livestock purchased or raised for production or use, such as milk cows, breeding bulls, laying hens, riding or work horses.
(4) (Reserved)
This exemption shall not be construed to include machinery, equipment, fuels, lubricants, pharmaceuticals, repair and replacement parts, or other items used or consumed in the running, maintenance, or repair of machinery, equipment, buildings, or structures used or consumed in the business of farming, ranching, or feeding of livestock, poultry or ratites.

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

(t) (Reserved)

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

(v) Sales of food products by producers as provided for by A.R.S. §§ 3-561, 3-562 and 3-563.

(w) (Reserved).

(x) ~~(Reserved).~~ Sales of food and drink to a person who is engaged in business that is classified under the restaurant classification and that provides such food and drink without monetary charge to its employees for their own consumption on the premises during such employees' hours of employment.

(y) (Reserved).

(z) (Reserved).

(aa) The sale of tangible personal property used in remediation contracting as defined in Section 62-100 and Regulation 62-100.5.

(bb) Sales of materials that are purchased by or for publicly funded libraries including school district libraries, charter school libraries, community college libraries, state university libraries or federal, state, county or municipal libraries for use by the public as follows:
(1) Printed or photographic materials.
(2) Electronic or digital media materials.

(cc) Sales of food, beverages, condiments and accessories used for serving food and beverages to a commercial airline, as defined in A.R.S. § 42-5061(A)(49) that serves the

food and beverages to its passengers, without additional charge, for consumption in flight. For the purposes of this subsection, "accessories" means paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper sacks or other disposable containers, or other items which facilitate the consumption of the food.

(dd) In computing the tax base in the case of the sale or transfer of wireless telecommunication equipment as an inducement to a customer to enter into or continue a contract for telecommunication services that are taxable under Section 62-470, gross proceeds of sales or gross income does not include any sales commissions or other compensation received by the retailer as a result of the customer entering into or continuing a contract for the telecommunications services.

(ee) For the purposes of this Section, a sale of wireless telecommunication equipment to a person who holds the equipment for sale or transfer to a customer as an inducement to enter into or continue a contract for telecommunication services that are taxable under Section 62-470 is considered to be a sale for resale in the regular course of business.

(ff) Sales of alternative fuel as defined in A.R.S. Section 1-215, to a used oil fuel burner who has received a Department of Environmental Quality permit to burn used oil or used oil fuel under A.R.S. Section 49-426 or Section 49-480.

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

(hh) Sales of personal hygiene items to a person engaged in the business of and subject to tax under Section 62-444 of this Code if the tangible personal property is furnished without additional charge to and intended to be consumed by the person during his occupancy.

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

(jj) Sales of food, beverages, condiments and accessories to a nonprofit charitable organization that has qualified as an exempt organization under 26 U.S.C. Section 501(c)(3) and regularly serves meals to the needy and indigent on a continuing basis at no cost. For the purposes of this subsection, "accessories" means paper plates, plastic eating

utensils, napkins, paper cups, drinking straws, paper sacks or other disposable containers, or other items which facilitate the consumption of the food.

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

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

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

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

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

(pp) Sales of overhead materials or other tangible personal property that is used in performing a contract between the united states government and a manufacturer, modifier, assembler or repairer, including property used in performing a subcontract with a government contractor who is a manufacturer, modifier, assembler or repairer, to which title passes to the government under the terms of the contract or subcontract.

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

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

SECTION 25: The Chandler City Code is amended by amending Section 62-480 as follows:
62-480. - Utility services.

~~A.~~(a) The tax rate shall be at an amount equal to two and seventy-five one-hundredths (2.75) percent of the gross income from the business activity upon every person engaging or continuing in the business of producing, providing, or furnishing utility services, including electric, electric lights, current, power, gas (natural or artificial), or water to:

~~1~~(1)~~.~~ Consumers or ratepayers who reside within the City.
~~2.~~(2) Consumers or ratepayers of this City, whether within the City or without, to the extent that this City provides such persons utility services, excluding consumers or ratepayers who are residents of another City or town which levies an equivalent excise tax upon this City for providing such utility services to such persons.

~~B.~~(b) Exclusion of certain sales of natural gas to a public utility. Notwithstanding the provisions of subsection A. above, the gross income derived from the sale of natural gas to a public utility for the purpose of generation of power to be transferred by the utility to its rate payers shall be considered a retail sale of tangible personal property subject to Sections 460 and 465, and not considered gross income taxable under this Section.

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

~~D.~~(d) ~~(~~Reserved)

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

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

~~G.~~(g) The tax imposed by this Section shall not apply to:

1. Revenues received by a municipally owned utility in the form of fees charged to persons constructing residential, commercial or industrial developments or connecting residential, commercial or industrial developments to a municipal utility system or systems if the fees are segregated and used only for capital expansion, system enlargement or debt service of the utility system or systems.
2. Revenues received by any person or persons owning a utility system in the form of reimbursement or contribution compensation for property and equipment installed to provide utility access to, on or across the land of an actual utility consumer if the property and equipment become the property of the utility. This exclusion shall not exceed the value of such property and equipment.

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

(i) The tax imposed by this section shall not apply to sales or other transfers of renewable energy credits or any other unit created to track energy derived from renewable energy resources. For the purposes of this paragraph, "renewable energy credit" means a unit created administratively by the corporation commission or governing body of a public power utility to track Kilowatt Hours of electricity derived from a renewable energy resource or the kilowatt hour equivalent of conventional energy resources displaced by distributed renewable energy resources.

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

(k) (Reserved)

SECTION 26: The Chandler City Code is amended by amending Section 62-485 as follows:

62-485. ~~(Reserved)~~ WASTEWATER REMOVAL SERVICES

(a) The tax rate shall be an amount equal to zero percent (0%) of the gross income from the business activity upon every person engaging or continuing in the business of providing wastewater removal services by means of sewer lines or similar pipelines to:

(1) Consumers or ratepayers who reside within the city.

(2) Consumers or ratepayers of this city, whether within the city or without, to the extent that this city provides such persons wastewater removal services, excluding consumers or ratepayers who are residents of another city or town which levies an equivalent excise tax upon this city for providing such wastewater removal services to such persons.

(b) The tax imposed by this section shall not apply to gross income relating to the providing of wastewater removal services from a qualifying hospital, qualifying community health center or a qualifying health care organization.

SECTION 27: The Chandler City Code is amended by amending Section 62-660 as follows:

62-660. - Use tax: exemptions.

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

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

(b) Tangible personal property, the value of which does not exceed the amount of one thousand dollars ($1,000.00) per item, acquired by an individual outside the limits of the City for his personal use and enjoyment.

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

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

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

(f) Prosthetics.

(g) Income-producing capital equipment.

(h) Rental equipment and rental supplies.

(i) Mining and metallurgical supplies.

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

(k) Tangible personal property purchased by a construction contractor, but not an owner-builder, when such person holds a valid Privilege License for engaging or continuing in the business of construction contracting, and where the property acquired is incorporated into any structure or improvement to real property in fulfillment of a construction contract.

(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) 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) Rental, leasing, or licensing for use of film, tape, or slides by a theater or other person taxed under Section 62-410, or by a radio station, television station, or subscription television system.

(o) Food served to patrons for a consideration by any person engaged in a business properly licensed and taxed under Section 62-455, but not food consumed by owners, agents, or employees of such business.

(p) Tangible personal property acquired by a qualifying hospital, qualifying community health center or a qualifying health care organization, except when the property is in fact used in activities resulting in gross income from unrelated business income as that term is defined in 26 U.S.C. Section 512.

(q) ~~Food purchased 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).~~ (Reserved.)

(r) The following tangible personal property purchased by persons engaging or continuing in the business of farming, ranching, or feeding livestock, poultry or ratites.
   (1) Seed, fertilizer, fungicides, seed treating chemicals, and other similar chemicals.
   (2) Feed for livestock, poultry or ratites, including salt, vitamins, and other additives to such feed.
   (3) Livestock, poultry or ratites purchased or raised for slaughter, but not including livestock purchased or raised for production or use, such as milk cows, breeding bulls, laying hens, riding or work horses.
   (4) (Reserved).

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

(s) Groundwater measuring devices required by A.R.S. Section 45-604.

(t) (Reserved).

(u) Aircraft acquired for use outside the state, as prescribed by Regulation.

(v) Sales of food products by producers as provided for by A.R.S. Sections 3-561, 3-562 and 3-563.

(w) (Reserved).

(x) ~~(Reserved).~~) Food and drink provided by a person who is engaged in business that is classified under the restaurant classification without monetary charge to its employees for their own consumption on the premises during such employees' hours of employment.

(y) (Reserved).

(z) Tangible personal property used or stored by this City.

(aa) Tangible personal property used in remediation contracting as defined in Section 62-100 and Regulation 62-100.5.

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

(1) Printed or photographic materials.

(2) Electronic or digital media materials.

(cc) Food, beverages, condiments and accessories used for serving food and beverages by a commercial airline, as defined in A.R.S. Section 42-5061(A)(49), that serves the food and beverages to its passengers, without additional charge, for consumption in flight. For the purposes of this subsection, "accessories" means paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper sacks or other disposable containers, or other items which facilitate the consumption of the food.

(dd) Wireless telecommunication equipment that is held for sale or transfer to a customer as an inducement to enter into or continue a contract for telecommunication services that are taxable under Section 62-470.

(ee) (Reserved).

(ff) Alternative fuel as defined in A.R.S. Section 1-215, by a used oil fuel burner who has received a Department of Environmental Quality permit to burn used oil or used oil fuel under A.R.S. Section 49-426 or Section 49-480.

(gg) Food, beverages, condiments and accessories purchased by or for 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 may be attended in substitution for a public school pursuant to A.R.S. 15-802; to the extent such items are to be prepared or served to individuals for consumption on the premises of a public educational entity during school hours. For the purposes of this subsection, "accessories" means paper plates, plastic eating utensils, napkins, paper cups, drinking straws, paper sacks or other disposable containers, or other items which facilitate the consumption of the food.

(hh) Personal hygiene items purchased by a person engaged in the business of and subject to tax under Section 62-444 of this code if the tangible personal property

is furnished without additional charge to and intended to be consumed by the person during his occupancy.

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

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

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

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

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

(nn) Magazines or other periodicals or other publications by this state to encourage tourist travel.

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

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

(qq) Coal, petroleum, coke, natural gas, virgin fuel oil and electricity sold to a qualified environmental technology manufacturer, producer or processor as defined in A.R.S. Section 41-1514.02 and directly used or consumed in the generation or provision of on-site power or energy solely for environmental technology manufacturing, producing or processing or environmental protection. this paragraph shall apply for twenty full consecutive calendar or fiscal years from the date the first paper manufacturing machine is placed in service. in the case of

an environmental technology manufacturer, producer or processor who does not manufacture paper, the time period shall begin with the date the first manufacturing, processing or production equipment is placed in service.

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

(ss) Reserved.

SECTION 28: Regulation 62-120.1 of the Chandler City Code is repealed in its entirety.

SECTION 29: Regulation 62-300.1 of the Chandler City Code is repealed in its entirety.

SECTION 30: Regulation 62-300.2 of the Chandler City Code is repealed in its entirety.

SECTION 31: Regulation 62-310.1 of the Chandler City Code is repealed in its entirety.

SECTION 32: Regulation 62-310.2 of the Chandler City Code is repealed in its entirety.

SECTION 33: Regulation 62-310.3 of the Chandler City Code is repealed in its entirety.

SECTION 34: Regulation 62-350.1 of the Chandler City Code is repealed in its entirety.

SECTION 35: Regulation 62-350.2 of the Chandler City Code is repealed in its entirety.

SECTION 36: Regulation 62-350.3 of the Chandler City Code is repealed in its entirety.

SECTION 37: Regulation 62-360.1 of the Chandler City Code is repealed in its entirety.

SECTION 38: Regulation 62-360.2 of the Chandler City Code is repealed in its entirety.

SECTION 39 Regulation 62-270.1 of the Chandler City Code is amended as follows:

Reg. 62-270.1. - Proprietary activities of municipalities are not considered activities of a governmental entity.
The following activities, when performed by a municipality, are considered to be activities of a person engaged in business for the purposes of this chapter, and not excludable by reason of Section 270:

~~A.~~(a) Rental, leasing, or licensing for use of real property to other than another department or agency of the municipality.
~~B.~~(b) Producing, providing, or furnishing electricity, electric lights, current, power, gas (natural or artificial), or water to consumers or ratepayers.
~~C.(d)~~ Sale of tangible personal property to the public, when similar tangible personal property is available for sale by other persons, as, for example, at police or surplus auctions.
(d) Providing wastewater removal services to consumers or ratepayers by means of sewer lines or similar pipelines.

SECTION 40: Regulation 62-460.1 of the Chandler City Code is amended as follows:

Reg. 62-460.1. - Distinction between retail sales and certain other transfers of tangible personal property.

A. Charges for transfer of tangible personal property included in the gross income of the business activity of persons engaged in the following business activities shall be deemed only as gross income from such business activity and not sales at retail taxed by Section 62-460:

1. Tangible personal property incorporated into real property as part of reconstruction or construction contracting, per Sections 62-415 through 418.
2. (Reserved)
3. Job printing, per Section 62-425.
4. Mining, timbering, and other extraction, but not sales of sand, gravel, or rock extracted from the ground, per Section 62-430.
5. Publication of newspapers, magazines, and other periodicals, per Section 62-435.
6. Rental, leasing, and licensing of real or tangible personal property, per Sections 62-445 or 62-450.
7. Restaurants and bars, per Section 62-455.
(8) Food for home consumption, per Section 62-430.
~~8.~~(9) Telecommunications services, per Section 62-470.
~~(9)~~(10) Utility services, per Section 62-480.
(11) Wastewater Removal Services, per Section 62-485.

B. Distinction between construction contracting, retail, and certain direct customer service activities.

1. When an item is attached or installed on real property, it is a construction contracting activity and any subsequent repair, removal, or replacement of that item is construction contracting.

2. Items attached or installed on tangible personal property are retail sales.
3. Transactions where no tangible personal property is attached or installed are considered direct customer service activities (for example: carpet cleaning, lawn mowing, landscape maintenance).
4. Demolition, earth moving, and wrecking activities are considered construction contracting.

C. The sale of sand, rock, and gravel extracted from the ground shall be deemed a sale of tangible personal property and not mining or metallurgical activity.

D. Sale of consumable goods incorporated into or applied to real property is considered a retail sale and not construction contracting. Examples of consumable goods are lubricants, faucet washers, and air conditioning coolant, but not paint.

E. Installation or removal of tangible personal property which has independent functional utility is considered a retail activity.

1. "Tangible personal property which has independent functional utility" must be able to substantially perform its function(s) without attachment to real property. "Attachment to real property" must include more than connection to water, power, gas, communication, or other service.
2. Examples of tangible personal property which has independent functional utility include artwork, furnishings, "plug-in" kitchen equipment, or similar items installed by bolts or similar fastenings.
3. Examples of tangible personal property which does not have independent functional utility include wall-to-wall carpeting, flooring, wallpaper, kitchen cabinets, or "built-in" dishwashers or ranges.
4. The installation of window coverings (drapes, mini-blinds, etc.) is always a retail activity.

SECTION 41: Pursuant to the authority vested in the council pursuant to Section 62-500 of the Chandler City Code, the Regulations adopted herein are promulgated in further explanation and implication of the Model City Tax Code adopted and amended from time to time by the City Council and said Regulations shall have the full force and effect of any Ordinance adopted by the City Council.

SECTION 42: Effective Dates.

These Amendments are effective as follows:

(a) Section 1 is effective as follows: The amended definition of "Business" is effective January 1, 2007 and the amended definition of "Prosthetic" is effective October 1, 2007.
(b) Sections 2, 3, 20, 23, 26, 39 and 40 are effective July 1, 2013.
(c) Sections 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37 and 38 are effective January 1, 2015.
(d) Section 19 is effective September 21, 2006.
(e) Section 21 is effective September 1, 2004.
(f) Section 22 is effective October 1, 2007.
(g) Section 24 is effective July 1, 2013 except for subsection (mm) which is effective July 1, 2007.
(h) Section 25 is effective January 1, 2007 except for subsection (k) which is effective August 1, 2014.
(i) Section 27 is effective July 1, 2013 except for subsection (mm) which is effective July 1, 2007and subsection (ss) which is effective August 1, 2014.

PASSED AND ADOPTED by the City Council of the City of Chandler, Maricopa County, Arizona, this ___ day of _____, 2015.

ATTEST:

_____ _____
CITY CLERK MAYOR

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Ordinance No. 4589 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at a regular meeting held on the ____ day of _____, 2015, and that a quorum was present thereat.

_____
CITY CLERK

APPROVED AS TO FORM:

_____
CITY ATTORNEY