

Proposed Changes to the Model City Tax Code

1 **Section I. Model City Tax Code Section 100 is amended as follows, with an effective date**
2 **of January 1, 2007.**

3

4 **Sec. ___-100. General definitions.**

5 For the purposes of this Chapter, the following definitions apply:

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

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

12 "Business" ~~means~~ INCLUDES all activities or acts, personal or corporate, engaged in ~~and~~ OR
13 caused to be engaged in with the object of gain, benefit, or advantage, either directLY or
14 indirectLY, but DOES not INCLUDE EITHER: casual activities or sales; OR THE TRANSFER
15 OF ELECTRICITY FROM A SOLAR PHOTOVOLTAIC GENERATION SYSTEM TO AN
16 ELECTRIC UTILITY DISTRIBUTION SYSTEM.

17 "Business Day" means any day of the week when the Tax Collector's office is open for the
18 public to conduct the Tax Collector's business.

19 "Casual Activity or Sale" means a transaction of an isolated nature made by a person who
20 neither represents himself to be nor is engaged in a business subject to a tax imposed by this
21 Chapter. However, no sale, rental, license for use, or lease transaction concerning real property
22 nor any activity entered into by a business taxable by this Chapter shall be treated, or be
23 exempt, as casual. This definition shall include sales of used capital assets, provided that the
24 volume and frequency of such sales do not indicate that the seller regularly engages in selling
25 such property.

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

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

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

10 "Construction Contracting" refers to the activity of a construction contractor.

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

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

21 "Delivery, Installation, or Other Direct Customer Services" means services or labor, excluding
22 repair labor, provided by a taxpayer to or for his customer at the time of transfer of tangible
23 personal property; provided further that the charge for such labor or service is separately billed
24 to the customer and maintained separately in the taxpayer's books and records.

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

3 "Equivalent Excise Tax" means either:

4 (1) a Privilege or Use Tax levied by another Arizona municipality upon the transaction in
5 question, and paid either to such Arizona municipality directly or to the vendor; or

6 (2) an excise tax levied by a political subdivision of a state other than Arizona upon the
7 transaction in question, and paid either to such jurisdiction directly or to the vendor; or

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

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

14 "Food" means any items intended for human consumption as defined by rules and regulations
15 adopted by the Department of Revenue, State of Arizona, pursuant to A.R.S. Section 42-5106.

16 Under no circumstances shall "food" include alcoholic beverages or tobacco, or food items
17 purchased for use in conversion to any form of alcohol by distillation, fermentation, brewing, or
18 other process. Under no circumstances shall "food" include an edible product, beverage, or
19 ingredient infused, mixed, or in any way combined with medical marijuana or an active
20 ingredient of medical marijuana.

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

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

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

4 "Lessee" includes the equivalent person in a rental or licensing agreement for all purposes of
5 this Chapter.

6 "Lessor" includes the equivalent person in a rental or licensing agreement for all purposes of
7 this Chapter.

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

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

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

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

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

23 "Mining and Metallurgical Supplies" means all tangible personal property acquired by persons
24 engaged in activities defined in Section ____-432 for such use. This definition shall not include:

25 (1) janitorial equipment and supplies.

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1 (2) office equipment, office furniture, and office supplies.

2 (3) motor vehicles licensed for use upon the highways of the State.

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

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

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

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

11 (1) transference of title and possession occur without the City; and

12 (2) the stock from which such personal property was taken was not within the corporate
13 limits of the City; and

14 (3) the order is received at a permanent business location of the seller located outside
15 the City; which location is used for the substantial and regular conduct of such business
16 sales activity. In no event shall the place of business of the buyer be determinative of
17 the situs of the receipt of the order.

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

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

24 (1) The order is placed from without the State of Arizona; and

25 (2) the property is delivered to the buyer at a location outside the State; and

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1 (3) the property is purchased for use outside the State.

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

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

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

16 (1) any man-made device for support or replacement of a part of the body, or to increase
17 acuity of one of the senses. Such items include: prescription eyeglasses; contact
18 lenses; hearing aids; artificial limbs or teeth; neck, back, arm, leg, or similar braces.

19 (2) insulin, insulin syringes, and glucose test strips sold with or without a prescription.

20 (3) hospital beds, crutches, wheelchairs, similar home health aids, or corrective shoes.

21 (4) drugs or medicine, including oxygen.

22 (5) equipment used to generate, monitor, or provide health support systems, such as
23 respiratory equipment, oxygen concentrator, dialysis machine.

24 (6) durable medical equipment which has a federal health care financing administration
25 common procedure code, is designated reimbursable by Medicare, can withstand

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1 repeated use, is primarily and customarily used to serve a medical purpose, is generally
2 not useful to a person in the absence of illness or injury and is appropriate for use in the
3 home.

4 (7) Under no circumstances shall "prosthetic" include medical marijuana regardless of
5 whether it is sold or dispensed pursuant to a prescription, recommendation, or written
6 certification by any authorized person.

7 "Qualifying Community Health Center"

8 (1) means an entity that is recognized as nonprofit under 501(c)(3) of the United States
9 Internal Revenue Code, that is a community-based, primary care clinic that has a
10 community-based board of directors and that is either:

11 (a) the sole provider of primary care in the community.

12 (b) a nonhospital affiliated clinic that is located in a federally designated medically
13 underserved area in this State.

14 (2) includes clinics that are being constructed as qualifying community health centers.

15 "Qualifying Health Care Organization" means an entity that is recognized as nonprofit under
16 Section 501(c) of the United States Internal Revenue Code and that uses, saves or invests at
17 least eighty percent (80%) of all monies that it receives from all sources each year only for
18 health and medical related educational and charitable services, as documented by annual
19 financial audits prepared by an independent certified public accountant, performed according to
20 generally accepted accounting standards and filed annually with the Arizona Department of
21 Revenue. Monies that are used, saved or invested to lease, purchase or construct a facility for
22 health and medical related education and charitable services are included in the eighty percent
23 (80%) requirement.

24 "Qualifying Hospital" means any of the following:

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

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

8 (3) a hospital, nursing care institution or residential care institution which is operated by
9 the federal government, this State or a political subdivision of this State.

10 (4) a facility that is under construction and that on completion will be a facility under
11 subdivision (1), (2) or (3) of this paragraph.

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

15 "Remediation" means those actions that are reasonable, necessary, cost-effective and
16 technically feasible in the event of the release or threat of release of hazardous substances into
17 the environment such that the waters of the State are or may be affected, such actions as may
18 be necessary to monitor, assess and evaluate such release or threat of release, actions of
19 remediation, removal or disposal of hazardous substances or taking such other actions as may
20 be necessary to prevent, minimize or mitigate damage to the public health or welfare or to the
21 waters of the State which may otherwise result from a release or threat of release of a
22 hazardous substance that will or may affect the waters of the State. Remediation activities
23 include the use of biostimulation with indigenous microbes and bioaugmentation using microbes
24 that are nonpathogenic, nonopportunistic and that are naturally occurring. Remediation activities

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1 may include community information and participation costs and providing an alternative drinking
2 water supply.

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

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

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

11 "Rental Supply" means an expendable or nonexpendable repair or replacement part sold to
12 become part of "rental equipment", provided that:

13 (1) the documentation relating to each purchased item so claimed specifically itemizes to
14 the vendor the actual item of "rental equipment" to which the purchased item is intended
15 to be attached as a repair or replacement part; and

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

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

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

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

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

7 "Retail Sale (Sale at Retail)" means the sale of tangible personal property, except the sale of
8 tangible personal property to a person regularly engaged in the business of selling such
9 property.

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

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

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

22 "Solar Energy Device" means a system or series of mechanisms designed primarily to provide
23 heating, to provide cooling, to produce electrical power, to produce mechanical power, to
24 provide solar daylighting or to provide any combination of the foregoing by means of collecting
25 and transferring solar generated energy into such uses either by active or passive means,

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1 including wind generator systems that produce electricity. Solar energy systems may also have
2 the capability of storing solar energy for future use. Passive systems shall clearly be designed
3 as a solar energy device, such as a trombe wall, and not merely as a part of a normal structure,
4 such as a window.

5 "Speculative Builder" means either:

6 (1) an owner-builder who sells or contracts to sell, at anytime, improved real property (as
7 provided in Section ___-416) consisting of:

8 a) custom, model, or inventory homes, regardless of the stage of completion of
9 such homes; or

10 b) improved residential or commercial lots without a structure; or

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

13 a) prior to completion; or

14 b) before the expiration of twenty-four (24) months after the improvements of the
15 real property sold are substantially complete.

16 "Substantially Complete" means the construction contracting or reconstruction contracting:

17 (1) has passed final inspection or its equivalent; or

18 (2) certificate of occupancy or its equivalent has been issued; or

19 (3) is ready for immediate occupancy or use.

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

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1 "Tax Collector" means the _____ or his designee or agent for all
2 purposes under this Chapter.

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

4 "Taxpayer Problem Resolution Officer" means the individual designated by the City to perform
5 the duties identified in Sections ___-515 and ___-516. In cities with a population of 50,000 or
6 more, the Taxpayer Problem Resolution Officer shall be an employee of the City. In cities with a
7 population of less than 50,000, the Taxpayer Problem Resolution Officer need not be an
8 employee of the City. Regardless of whether the Taxpayer Problem Resolution Officer is or is
9 not an employee of the City, the Taxpayer Problem Resolution Officer shall have substantive
10 knowledge of taxation. The identity of and telephone number for the Taxpayer Problem
11 Resolution Officer can be obtained from the Tax Collector.

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

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

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

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1 **Section II. Model City Tax Code Section 465 is amended as follows. All changes are**
2 **effective July 1, 2013, except new subsection (mm), which is effective January 1, 2007.**

3
4 **Sec. ___-465. Retail sales: exemptions.**

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

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

8 (b) out-of-City sales or out-of-State sales.

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

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

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

15 (f) sales of prosthetics.

16 (g) sales of income-producing capital equipment.

17 (h) sales of rental equipment and rental supplies.

18 (i) sales of mining and metallurgical supplies.

19 (j) sales of motor vehicle fuel and use fuel which are subject to a tax imposed under the
20 provisions of Article I or II, Chapter 16, Title 28, Arizona Revised Statutes; or sales of
21 use fuel to a holder of a valid single trip use fuel tax permit issued under A.R.S.

22 Section 28-5739, or sales of natural gas or liquefied petroleum gas used to propel a
23 motor vehicle.

24 (k) sales of tangible personal property to a construction contractor who holds a valid
25 Privilege Tax License for engaging or continuing in the business of construction

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1 contracting where the tangible personal property sold is incorporated into any structure
2 or improvement to real property as part of construction contracting activity.

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

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

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

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

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

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

17 (n) (Reserved)

18 (1) (Reserved)

19 (2) (Reserved))++

20 (o) sales to hotels, bars, restaurants, dining cars, lunchrooms, boarding houses, or
21 similar establishments of articles consumed as food, drink, or condiment, whether
22 simple, mixed, or compounded, where such articles are customarily prepared or served
23 to patrons for consumption on or off the premises, where the purchaser is properly
24 licensed and paying a tax under Section ____-455 or the equivalent excise tax upon such
25 income.

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

9 ****((q) sales of food for home consumption.**

10 **Model Option #2:**

11 (q) food purchased with food stamps provided through the food stamp program
12 established by the Food Stamp Act of 1977 (P.L. 95-113; 91 Stat. 958.7 U.S.C. Section
13 2011 et seq.) or purchased with food instruments issued under Section 17 of the Child
14 Nutrition Act (P.L. 95-627; 92 Stat. 3603; and P.L. 99-669; Section 4302; 42 United
15 States Code Section 1786) but only to the extent that food stamps or food instruments
16 were actually used to purchase such food.)**

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

19 (1) seed, fertilizer, fungicides, seed treating chemicals, and other similar
20 chemicals.

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

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

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1 (4) (Reserved)

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

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

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

11 **Model Option #10:**

12 (r) (Reserved)

13 (1) (Reserved)

14 (2) (Reserved)

15 (3) (Reserved)**

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

17 (t) (Reserved)

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

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

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

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1 (v) sales of food products by producers as provided for by A.R.S. Sections 3-561, 3-
2 562 and 3-563.

3 (w) (Reserved)

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

5 (w) sales of textbooks that are required by any State university or community college by
6 any bookstore.)++

7 ~~(x) (Reserved)~~

8 **++(Local Option #AA:**

9 (x) sales of food and drink to a PERSON WHO IS ENGAGED IN BUSINESS THAT
10 IS CLASSIFIED UNDER THE RESTAURANT CLASSIFICATION AND
11 THAT properly licensed restaurant which provides such food and drink without
12 monetary charge to its employees for their own consumption on the premises during
13 such employees' hours of employment.)++

14 (y) (Reserved)

15 (z) (Reserved)

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

17 (z) gross income received for tangible personal property consisting of manufactured
18 items destroyed by being subjected to destructive stress, strain or similar testing, for the
19 purpose of developing engineering information or for the purpose of quality control, but
20 only to the extent that a sale of said property would otherwise be exempt by the
21 provisions of this Chapter.)++

22 (aa) the sale of tangible personal property used in remediation contracting as defined in
23 Section ____-100 and Regulation ____-100.5.

24 (bb) sales of materials that are purchased by or for publicly funded libraries including
25 school district libraries, charter school libraries, community college libraries, state

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1 university libraries or federal, state, county or municipal libraries for use by the public as
2 follows:

3 (1) printed or photographic materials.

4 (2) electronic or digital media materials.

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

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

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

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

24 (gg) sales of food, beverages, condiments and accessories to a public educational
25 entity, pursuant to any of the provisions of Title 15, Arizona Revised Statutes; to the

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1 extent such items are to be prepared or served to individuals for consumption on the
2 premises of a public educational entity during school hours. For the purposes of this
3 subsection, "accessories" means paper plates, plastic eating utensils, napkins, paper
4 cups, drinking straws, paper sacks or other disposable containers, or other items which
5 facilitate the consumption of the food.

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

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

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

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

24 (ll) sales of solar energy devices, for taxable periods beginning from and after July 1,
25 2008. The retailer shall register with the department of revenue as a solar energy

Proposed Changes to the Model City Tax Code

1 retailer. By registering, the retailer acknowledges that it will make its books and records
2 relating to sales of solar energy devices available to the department of revenue and city,
3 as applicable, for examination.

4 (MM) SALES OR OTHER TRANSFERS OF RENEWABLE ENERGY CREDITS OR
5 ANY OTHER UNIT CREATED TO TRACK ENERGY DERIVED FROM
6 RENEWABLE ENERGY RESOURCES. FOR THE PURPOSES OF THIS
7 PARAGRAPH, "RENEWABLE ENERGY CREDIT" MEANS A UNIT CREATED
8 ADMINISTRATIVELY BY THE CORPORATION COMMISSION OR
9 GOVERNING BODY OF A PUBLIC POWER UTILITY TO TRACK KILOWATT
10 HOURS OF ELECTRICITY DERIVED FROM A RENEWABLE ENERGY
11 RESOURCE OR THE KILOWATT HOUR EQUIVALENT OF CONVENTIONAL
12 ENERGY RESOURCES DISPLACED BY DISTRIBUTED RENEWABLE ENERGY
13 RESOURCES.

14 (NN) SALES OF MAGAZINES OR OTHER PERIODICALS OR OTHER
15 PUBLICATIONS BY THIS STATE TO ENCOURAGE TOURIST TRAVEL.

16 (OO) SALES OF PAPER MACHINE CLOTHING, SUCH AS FORMING FABRICS
17 AND DRYER FELTS, SOLD TO A PAPER MANUFACTURER AND DIRECTLY
18 USED OR CONSUMED IN PAPER MANUFACTURING.

19 (PP) SALES OF OVERHEAD MATERIALS OR OTHER TANGIBLE PERSONAL
20 PROPERTY THAT IS USED IN PERFORMING A CONTRACT BETWEEN THE
21 UNITED STATES GOVERNMENT AND A MANUFACTURER, MODIFIER,
22 ASSEMBLER OR REPAIRER, INCLUDING PROPERTY USED IN PERFORMING
23 A SUBCONTRACT WITH A GOVERNMENT CONTRACTOR WHO IS A

Proposed Changes to the Model City Tax Code

1 MANUFACTURER, MODIFIER, ASSEMBLER OR REPAIRER, TO WHICH TITLE
2 PASSES TO THE GOVERNMENT UNDER THE TERMS OF THE CONTRACT OR
3 SUBCONTRACT.

4 (QQ) SALES OF COAL, PETROLEUM, COKE, NATURAL GAS, VIRGIN FUEL
5 OIL AND ELECTRICITY SOLD TO A QUALIFIED ENVIRONMENTAL
6 TECHNOLOGY MANUFACTURER, PRODUCER OR PROCESSOR AS DEFINED
7 IN A.R.S. SECTION 41-1514.02 AND DIRECTLY USED OR CONSUMED IN
8 THE GENERATION OR PROVISION OF ON-SITE POWER OR ENERGY
9 SOLELY FOR ENVIRONMENTAL TECHNOLOGY MANUFACTURING,
10 PRODUCING OR PROCESSING OR ENVIRONMENTAL PROTECTION. THIS
11 PARAGRAPH SHALL APPLY FOR TWENTY FULL CONSECUTIVE CALENDAR
12 OR FISCAL YEARS FROM THE DATE THE FIRST PAPER MANUFACTURING
13 MACHINE IS PLACED IN SERVICE. IN THE CASE OF AN ENVIRONMENTAL
14 TECHNOLOGY MANUFACTURER, PRODUCER OR PROCESSOR WHO DOES
15 NOT MANUFACTURE PAPER, THE TIME PERIOD SHALL BEGIN WITH THE
16 DATE THE FIRST MANUFACTURING, PROCESSING OR PRODUCTION
17 EQUIPMENT IS PLACED IN SERVICE.

18 (RR) SALES OR GROSS INCOME DERIVED FROM SALES OF MACHINERY,
19 EQUIPMENT, MATERIALS AND OTHER TANGIBLE PERSONAL PROPERTY
20 USED DIRECTLY AND PREDOMINANTLY TO CONSTRUCT A QUALIFIED
21 ENVIRONMENTAL TECHNOLOGY MANUFACTURING, PRODUCING OR
22 PROCESSING FACILITY AS DESCRIBED IN A.R.S. SECTION 41-1514.02.

Proposed Changes to the Model City Tax Code

1 | THIS SUBSECTION APPLIES FOR TEN FULL CONSECUTIVE CALENDAR OR
2 | FISCAL YEARS AFTER THE START OF INITIAL CONSTRUCTION.

3
4
5 | **Section III. Model City Tax Code Section 480 is amended as follows to conform with**
6 | **State legislation enacted in 2012 as SB 1229, with an effective date of January 1, 2007.**

7
8 | **Sec. ____-480. Utility services.**

9 | (a) The tax rate shall be at an amount equal to _____ percent (___%) of the gross
10 | income from the business activity upon every person engaging or continuing in the
11 | business of producing, providing, or furnishing utility services, including electricity,
12 | electric lights, current, power, gas (natural or artificial), or water to:

13 | (1) consumers or ratepayers who reside within the City.

14 | (2) (Reserved)

15 | **++(Local Option #GG:**

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

21 | (b) Exclusion of certain sales of natural gas to a public utility. Notwithstanding the
22 | provisions of subsection (a) above, the gross income derived from the sale of natural
23 | gas to a public utility for the purpose of generation of power to be transferred by the
24 | utility to its ratepayers shall be considered a retail sale of tangible personal property

Proposed Changes to the Model City Tax Code

1 subject to Sections ___-460 and ___-465, and not considered gross income taxable
2 under this Section.

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

11 ~~**~~((d) Tax credit offset for franchise fees. There shall be allowed as an offset any
12 franchise fees paid to the City pursuant to the terms of a franchise agreement. However,
13 such offset shall not be allowed against taxes imposed by any other Section of this
14 Chapter. Such offsets shall not be deemed in conflict with or violation of subsection ___-
15 400(b).

16 (Also see Sedona city page)

17 **Model Option #13: (d) (Reserved)****

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

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

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

Proposed Changes to the Model City Tax Code

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

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

11 (h) The tax imposed by this Section shall not apply to sales of alternative fuel as defined
12 in A.R.S. Section 1-215, to a used oil fuel burner who has received a Department of
13 Environmental Quality permit to burn used oil or used oil fuel under A.R.S. Section 49-
14 426 or Section 49-480.

15 (I) THE TAX IMPOSED BY THIS SECTION SHALL NOT APPLY TO SALES OR
16 OTHER TRANSFERS OF RENEWABLE ENERGY CREDITS OR ANY OTHER UNIT
17 CREATED TO TRACK ENERGY DERIVED FROM RENEWABLE ENERGY
18 RESOURCES. FOR THE PURPOSES OF THIS PARAGRAPH, "RENEWABLE
19 ENERGY CREDIT" MEANS A UNIT CREATED ADMINISTRATIVELY BY THE
20 CORPORATION COMMISSION OR GOVERNING BODY OF A PUBLIC POWER
21 UTILITY TO TRACK KILOWATT HOURS OF ELECTRICITY DERIVED FROM A
22 RENEWABLE ENERGY RESOURCE OR THE KILOWATT HOUR EQUIVALENT OF
23 CONVENTIONAL ENERGY RESOURCES DISPLACED BY DISTRIBUTED
24 RENEWABLE ENERGY RESOURCES.

Proposed Changes to the Model City Tax Code

1 (J) THE TAX IMPOSED BY THIS SECTION SHALL NOT APPLY TO THE PORTION OF
2 GROSS PROCEEDS OF SALES OR GROSS INCOME ATTRIBUTABLE TO
3 TRANSFERS OF ELECTRICITY BY ANY RETAIL ELECTRIC CUSTOMER OWNING A
4 SOLAR PHOTOVOLTAIC ENERGY GENERATING SYSTEM TO AN ELECTRIC
5 DISTRIBUTION SYSTEM, IF THE ELECTRICITY TRANSFERRED IS GENERATED BY
6 THE CUSTOMER'S SYSTEM.

7
8
9 **Section IV. Model City Tax Code Section 660 is amended as follows. All changes are**
10 **effective July 1, 2013, except new subsection (mm), which is effective January 1, 2007.**

11
12 **Sec. ___-660. Use tax: exemptions.**

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

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

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

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

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

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

Proposed Changes to the Model City Tax Code

- 1 (f) prosthetics.
- 2 (g) income-producing capital equipment.
- 3 (h) rental equipment and rental supplies.
- 4 (i) mining and metallurgical supplies.
- 5 (j) motor vehicle fuel and use fuel which are used upon the highways of this State and
6 upon which a tax has been imposed under the provisions of Article I or II, Chapter 16,
7 Title 28, Arizona Revised Statutes.
- 8 (k) tangible personal property purchased by a construction contractor, but not an owner-
9 builder, when such person holds a valid Privilege License for engaging or continuing in
10 the business of construction contracting, and where the property acquired is
11 incorporated into any structure or improvement to real property in fulfillment of a
12 construction contract.
- 13 (l) sales of motor vehicles to nonresidents of this State for use outside this State if the
14 vendor ships or delivers the motor vehicle to a destination outside this State.
- 15 (m) tangible personal property which directly enters into and becomes an ingredient or
16 component part of a product sold in the regular course of the business of job printing,
17 manufacturing, or publication of newspapers, magazines or other periodicals. Tangible
18 personal property which is consumed or used up in a manufacturing, job printing,
19 publishing, or production process is not an ingredient nor component part of a product.
- 20 (n) rental, leasing, or licensing for use of film, tape, or slides by a theater or other person
21 taxed under Section ___-410, or by a radio station, television station, or subscription
22 television system.
- 23 (o) food served to patrons for a consideration by any person engaged in a business
24 properly licensed and taxed under Section ___-455, but not food consumed by owners,
25 agents, or employees of such business.

Proposed Changes to the Model City Tax Code

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

5 ****((q) food for home consumption.**

6 **Model Option #2:**

7 (q) food purchased with food stamps provided through the food stamp program
8 established by the Food Stamp Act of 1977 (P.L. 95-113; 91 Stat. 958.7 U.S.C. Section
9 2011 et seq.) or purchased with food instruments issued under Section 17 of the Child
10 Nutrition Act (P.L. 95-627; 92 Stat. 3603; and P.L. 99-669; Section 4302; 42 United
11 States Code Section 1786).)**

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

14 (1) seed, fertilizer, fungicides, seed treating chemicals, and other similar
15 chemicals.

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

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

21 (4) (Reserved)

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

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

Proposed Changes to the Model City Tax Code

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

6 **Model Option #10:**

7 (r)(Reserved)

8 (1) (Reserved)

9 (2) (Reserved)

10 (3) (Reserved)**

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

12 (t) (Reserved)

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

14 (t) paintings, sculptures, or similar works of fine art, provided that such works of fine art
15 are purchased from the original artist; and provided further that "art creations", such as
16 jewelry, macrame, glasswork, pottery, woodwork, metalwork, furniture, and clothing,
17 when such "art creations" have a dual purpose, both aesthetic and utilitarian, are not
18 exempt, whether purchased from the artist or from another.)++

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

20 (v) sales of food products by producers as provided for by A.R.S. Sections 3-561, 3-
21 562 and 3-563.

22 (w) (Reserved)

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

24 (w) textbooks required by any State university or community college, when acquired
25 from a bookstore.)++

Proposed Changes to the Model City Tax Code

1 ~~(x) (Reserved)~~

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

3 (x) food and drink PROVIDED BY A PERSON WHO IS ENGAGED IN BUSINESS
4 THAT IS CLASSIFIED UNDER THE RESTAURANT CLASSIFICATION ~~which a~~
5 ~~properly licensed restaurant provides~~ without monetary charge to its employees for their
6 own consumption on the premises during such employees' hours of employment.)++

7 (y) (Reserved)

8 **++(Local Option #HH:**

9 (y) Tangible personal property donated to an organization or entity qualifying as an
10 exempt organization under 26 U.S.C Section 501(c)(3); if and only if:

11 (1) the donor is engaged or continuing in a business activity subject to a tax
12 imposed by Article IV; and

13 (2) the donor originally purchased the donated property for resale in the ordinary
14 course of the donor's business; and

15 (3) the donor obtained from the donee a letter or other evidence satisfactory to
16 the Tax Collector of qualification under 26 U.S.C. Section 501(c)(3) from the
17 Internal Revenue Service or other appropriate federal agency; and

18 (4) the donor maintains, and provides upon demand, such evidence to the Tax
19 Collector, in a manner similar to other documentation required under Article
20 III.)++

21 (z) (Reserved)

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

23 (z) tangible personal property used or stored by this City.)++

24 (aa) tangible personal property used in remediation contracting as defined in Section
25 ____-100 and Regulation ____-100.5.

Proposed Changes to the Model City Tax Code

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

4 (1) printed or photographic materials.

5 (2) electronic or digital media materials.

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

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

15 (ee) (Reserved)

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

19 (gg) food, beverages, condiments and accessories purchased by or for a public
20 educational entity, pursuant to any of the provisions of Title 15, Arizona Revised
21 Statutes; to the extent such items are to be prepared or served to individuals for
22 consumption on the premises of a public educational entity during school hours. For the
23 purposes of this subsection, "accessories" means paper plates, plastic eating utensils,
24 napkins, paper cups, drinking straws, paper sacks or other disposable containers, or
25 other items which facilitate the consumption of the food.

Proposed Changes to the Model City Tax Code

1 (hh) personal hygiene items purchased by a person engaged in the business of and
2 subject to tax under Section ___-444 of this code if the tangible personal property is
3 furnished without additional charge to and intended to be consumed by the person
4 during his occupancy.

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

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

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

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

20 (mm) RENEWABLE ENERGY CREDITS OR ANY OTHER UNIT CREATED TO
21 TRACK ENERGY DERIVED FROM RENEWABLE ENERGY RESOURCES. FOR
22 THE PURPOSES OF THIS PARAGRAPH, "RENEWABLE ENERGY CREDIT"
23 MEANS A UNIT CREATED ADMINISTRATIVELY BY THE CORPORATION
24 COMMISSION OR GOVERNING BODY OF A PUBLIC POWER UTILITY TO
25 TRACK KILOWATT HOURS OF ELECTRICITY DERIVED FROM A

Proposed Changes to the Model City Tax Code

1 RENEWABLE ENERGY RESOURCE OR THE KILOWATT HOUR EQUIVALENT
2 OF CONVENTIONAL ENERGY RESOURCES DISPLACED BY DISTRIBUTED
3 RENEWABLE ENERGY RESOURCES.

4 (NN) MAGAZINES OR OTHER PERIODICALS OR OTHER PUBLICATIONS BY
5 THIS STATE TO ENCOURAGE TOURIST TRAVEL.

6 (OO) PAPER MACHINE CLOTHING, SUCH AS FORMING FABRICS AND
7 DRYER FELTS, SOLD TO A PAPER MANUFACTURER AND DIRECTLY USED
8 OR CONSUMED IN PAPER MANUFACTURING.

9 (PP) OVERHEAD MATERIALS OR OTHER TANGIBLE PERSONAL PROPERTY
10 THAT IS USED IN PERFORMING A CONTRACT BETWEEN THE UNITED
11 STATES GOVERNMENT AND A MANUFACTURER, MODIFIER, ASSEMBLER
12 OR REPAIRER, INCLUDING PROPERTY USED IN PERFORMING A
13 SUBCONTRACT WITH A GOVERNMENT CONTRACTOR WHO IS A
14 MANUFACTURER, MODIFIER, ASSEMBLER OR REPAIRER, TO WHICH TITLE
15 PASSES TO THE GOVERNMENT UNDER THE TERMS OF THE CONTRACT OR
16 SUBCONTRACT.

17 (QQ) COAL, PETROLEUM, COKE, NATURAL GAS, VIRGIN FUEL OIL AND
18 ELECTRICITY SOLD TO A QUALIFIED ENVIRONMENTAL TECHNOLOGY
19 MANUFACTURER, PRODUCER OR PROCESSOR AS DEFINED IN A.R.S.
20 SECTION 41-1514.02 AND DIRECTLY USED OR CONSUMED IN THE
21 GENERATION OR PROVISION OF ON-SITE POWER OR ENERGY SOLELY
22 FOR ENVIRONMENTAL TECHNOLOGY MANUFACTURING, PRODUCING OR
23 PROCESSING OR ENVIRONMENTAL PROTECTION. THIS PARAGRAPH

Proposed Changes to the Model City Tax Code

1 SHALL APPLY FOR TWENTY FULL CONSECUTIVE CALENDAR OR FISCAL
2 YEARS FROM THE DATE THE FIRST PAPER MANUFACTURING MACHINE IS
3 PLACED IN SERVICE. IN THE CASE OF AN ENVIRONMENTAL TECHNOLOGY
4 MANUFACTURER, PRODUCER OR PROCESSOR WHO DOES NOT
5 MANUFACTURE PAPER, THE TIME PERIOD SHALL BEGIN WITH THE DATE
6 THE FIRST MANUFACTURING, PROCESSING OR PRODUCTION EQUIPMENT
7 IS PLACED IN SERVICE.
8 (RR) MACHINERY, EQUIPMENT, MATERIALS AND OTHER TANGIBLE
9 PERSONAL PROPERTY USED DIRECTLY AND PREDOMINANTLY TO
10 CONSTRUCT A QUALIFIED ENVIRONMENTAL TECHNOLOGY
11 MANUFACTURING, PRODUCING OR PROCESSING FACILITY AS
12 DESCRIBED IN A.R.S. SECTION 41-1514.02. THIS SUBSECTION APPLIES
13 FOR TEN FULL CONSECUTIVE CALENDAR OR FISCAL YEARS AFTER THE
14 START OF INITIAL CONSTRUCTION.

Proposed Changes to the Model City Tax Code

1 Section V. Model City Tax Code Appendix V, Article VII - Access to Care Tax, is added as
2 follows, with an effective date of March 1, 2013.

3
4 ARTICLE VII. ACCESS TO CARE TAX

5
6 SEC. -700. LEGISLATIVE INTENT.

7 THIS ORDINANCE IS ADOPTED FOR THE PURPOSE OF PROMOTING THE HEALTH,
8 SAFETY AND GENERAL WELFARE OF THE RESIDENTS OF THE CITY OF _____ BY:

9 (A) ESTABLISHING A FUNDING SOURCE FOR THE NON-FEDERAL SHARE OF
10 ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM (AHCCCS) PAYMENTS
11 TO ACUTE CARE HOSPITALS WITHIN THE CITY OF _____ THAT PROVIDE
12 SIGNIFICANT AMOUNTS OF UNCOMPENSATED CARE TO UNINSURED AND LOW
13 INCOME PATIENTS, PURSUANT TO S.B. 1357;

14 (B) ESTABLISHING A FUNDING SOURCE FOR THE NON-FEDERAL SHARE OF THE
15 COST OF AN EXPANSION OF COVERAGE THROUGH THE AHCCCS PROGRAM TO
16 UNINSURED INDIVIDUALS, PURSUANT TO S.B. 1357;

17 (C) PROMOTING ACCESS TO HEALTH CARE FOR RESIDENTS OF THE CITY OF
18 _____, INCLUDING LOW-INCOME, UNINSURED AND OTHERWISE
19 VULNERABLE POPULATIONS, BY ENSURING THE FINANCIAL STABILITY AND
20 VIABILITY OF ACUTE CARE HOSPITAL SYSTEMS IN THE CITY; AND

21 (D) PROMOTING ECONOMIC DEVELOPMENT AND PROTECTING AND EXPANDING
22 JOB IN THE HEALTH SECTOR AND RELATED FIELDS WITHIN THE CITY OF
23 _____.

24
25 SEC. -701. DEFINITIONS.

Proposed Changes to the Model City Tax Code

1 FOR THE PURPOSES OF THIS ARTICLE ONLY, THE FOLLOWING DEFINITIONS SHALL
2 APPLY:

3 “ACCESS TO CARE FUND (“ATC FUND”)” MEANS THE FUND ESTABLISHED PURSUANT
4 TO SECTION -705.

5 “ACCESS TO CARE FUND REMAINDER (“ATC FUND REMAINDER”)” MEANS THE AMOUNT
6 REMAINING IN THE ACCESS TO CARE FUND AFTER RESERVATION OF THE
7 ADMINISTRATIVE COST PURSUANT TO SECTION -725(A).

8 “ACCESS TO CARE TAX (“ATC TAX”)” MEANS THE TAX IMPOSED PURSUANT TO
9 SECTION -710.

10 “ACCESS TO CARE PROGRAM” MEANS THE PROGRAM CONSISTING OF THE ATC TAX,
11 THE UNCOMPENSATED CARE PAYMENTS, AND RELATED EXPANDED AHCCCS
12 COVERAGE, TO BE ESTABLISHED BY AHCCCS AND APPROVED BY CMS, AND FUNDING
13 FOR THE NON-FEDERAL SHARE OF SAFETY NET CARE POOL PAYMENTS TO
14 MARICOPA INTEGRATED HEALTH SYSTEM.

15 “ADMINISTRATIVE COST” MEANS THE COSTS TO THE TAX COLLECTOR OF
16 COLLECTING, ADMINISTERING, ENFORCING AND TRANSFERRING THE ATC TAX,
17 WHICH MAY INCLUDE: TIME, MATERIALS, OVERHEAD, AND LITIGATION COSTS.

18 “AHCCCS” MEANS THE ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM, AN
19 AGENCY OF THE STATE, WHICH ADMINISTERS THE MEDICAID PROGRAM UNDER TITLE
20 XIX OF THE SOCIAL SECURITY ACT IN ARIZONA.

21 “CFR” MEANS THE CODE OF FEDERAL REGULATIONS.

22 “CMS” MEANS THE CENTERS FOR MEDICARE AND MEDICAID SERVICES, A FEDERAL
23 AGENCY WITHIN THE U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES.

Proposed Changes to the Model City Tax Code

1 “COVERAGE AMOUNT” MEANS AN AMOUNT SPECIFIED BY AHCCCS TO PAY FOR THE
2 NON-FEDERAL SHARE OF THE EXPANDED COVERAGE THAT IS PART OF THE ACCESS
3 TO CARE PROGRAM.

4 “DELINQUENCY DATE” MEANS THE DAY AFTER THE DUE DATE.

5 “DUE DATE” MEANS THAT DAY THAT IS 30 DAYS PRIOR TO THE END OF EACH
6 QUARTER DURING THE UC PAYMENT PERIOD, UNLESS OTHERWISE SPECIFIED
7 PURSUANT TO SECTION ____-715(E).

8 “EFFECTIVE DATE” MEANS 30 DAYS AFTER THE DATE OF PASSAGE OF THIS
9 ORDINANCE.

10 “INPATIENT NET PATIENT REVENUE” MEANS GROSS CHARGES FOR INPATIENT
11 HOSPITAL SERVICES LESS CONTRACTUAL ALLOWANCES AND DISCOUNTS,
12 CALCULATED PURSUANT TO SECTION ____-710.

13 “MEDICARE COST REPORT” MEANS THE HOSPITAL COST REPORT REQUIRED FOR
14 HOSPITALS PARTICIPATING IN THE MEDICARE PROGRAM UNDER TITLE XVIII OF THE
15 SOCIAL SECURITY ACT, USING CMS FORM 2552-96.

16 “MIHS” MEANS MARICOPA INTEGRATED HEALTH SYSTEM.

17 “NON-FEDERAL SHARE” MEANS THE PORTION OF AHCCCS EXPENDITURES THAT ARE
18 NOT REIMBURSED BY THE FEDERAL GOVERNMENT PURSUANT TO SECTION 1903 OF
19 THE SOCIAL SECURITY ACT AND ARE REQUIRED TO BE PAID FOR FROM STATE OR
20 LOCAL SOURCES, PURSUANT TO SECTION 1902(A)(2) OF THE SOCIAL SECURITY ACT.

21 “PARTICIPATING HOSPITAL” MEANS A HEALTH CARE INSTITUTION LOCATED IN THE
22 CITY OF _____ THAT IS LICENSED AS A HOSPITAL BY THE ARIZONA
23 DEPARTMENT OF HEALTH SERVICES UNDER ARIZONA REVISED STATUTE TITLE 36,
24 CHAPTER 4, ARTICLE 2, EXCEPT THAT PARTICIPATING HOSPITAL DOES NOT INCLUDE
25 THE FOLLOWING:

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1 (A) HOSPITALS OWNED AND OPERATED BY THE STATE OF ARIZONA, ANY
2 GOVERNMENTAL SUBDIVISION OF THE STATE OR THE UNITED STATES, OR ANY
3 INDIAN TRIBE;

4 (B) PSYCHIATRIC HOSPITALS, AS DESCRIBED IN 42 CFR §412.23(A);

5 (C) INPATIENT REHABILITATION FACILITIES, AS DESCRIBED IN 42 CFR
6 §412.23(B);

7 (D) LONG TERM CARE HOSPITALS, AS DESCRIBED IN 42 CFR §412.23(E);

8 (E) HOSPITALS THAT ARE PRIMARILY ENGAGED IN THE CARE AND
9 TREATMENT OF PATIENTS WITH AN ORTHOPEDIC CONDITION OR PATIENTS
10 RECEIVING A SURGICAL PROCEDURE AS DESCRIBED UNDER 42 CFR §411.201;

11 (F) CHILDREN’S HOSPITALS AS DESCRIBED IN 42 CFR §412.23(D) WITH
12 FEWER THAN 30 BEDS; AND

13 (G) HOSPITALS IN WHICH ON AVERAGE AT LEAST 15 PERCENT OF THE
14 INPATIENTS ARE FROM OUTSIDE OF ARIZONA AND AT LEAST 50 PERCENT OF
15 THE INPATIENT DAYS ARE FOR MEDICARE BENEFICIARIES.

16 “QUARTER” MEANS A THREE MONTH PERIOD FROM JANUARY TO MARCH, APRIL TO
17 JUNE, JULY TO SEPTEMBER, OR OCTOBER TO DECEMBER.

18 “S.B. 1357” MEANS SENATE BILL 1357, ENACTED BY THE ARIZONA LEGISLATURE,
19 DURING ITS FIFTIETH LEGISLATURE, FIRST REGULAR SESSION OF 2011.

20 “SAFETY NET CARE POOL” MEANS THE FUNDING POOL ESTABLISHED PURSUANT TO
21 THE AHCCCS DEMONSTRATION PROJECT AUTHORIZED UNDER SECTION 1115 OF THE
22 SOCIAL SECURITY ACT.

23 “SHORTFALL AMOUNT” MEANS THE AMOUNT OF ANY ATC TAX PAYMENT THAT A
24 PARTICIPATING HOSPITAL OWES BUT DOES NOT PAY BY THE DUE DATE.

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1 “SNCP TRANSFER AMOUNT” MEANS THE AMOUNT OF THE TRANSFER FUNDS USED TO
2 CONTRIBUTE TO THE NON-FEDERAL SHARE OF SAFETY NET CARE POOL PAYMENTS
3 TO MIHS.

4 “SSA” MEANS THE SOCIAL SECURITY ACT.

5 “TRANSFER DATE” MEANS THE DATE THAT IS 15 DAYS PRIOR TO THE END OF EACH
6 QUARTER DURING THE UC PAYMENT PERIOD, UNLESS AHCCCS SPECIFIES A
7 DIFFERENT DATE, FOR TRANSFER OF FUNDS FROM THE CITY TO AHCCCS PURSUANT
8 TO SECTION -725.

9 “TRANSFER FUNDS” MEANS THE FUNDS TO BE TRANSFERRED TO AHCCCS AS
10 SPECIFIED IN SECTION -725(B).

11 “UNCOMPENSATED CARE PAYMENTS” MEANS PAYMENTS, TO BE ADMINISTERED BY
12 AHCCCS AND APPROVED BY CMS, TO PARTICIPATING HOSPITALS TO REIMBURSE
13 SOME OR ALL OF THEIR UNCOMPENSATED CARE COSTS OF TREATING AHCCCS AND
14 UNINSURED PATIENTS.

15 “UC PAYMENT TRANSFER AMOUNT” MEANS THE FUND REMAINDER MINUS THE
16 COVERAGE AMOUNT AND THE SNCP TRANSFER AMOUNT, TO BE USED TO PAY FOR
17 THE NON-FEDERAL SHARE OF UNCOMPENSATED CARE PAYMENTS TO
18 PARTICIPATING HOSPITALS FOR THE CURRENT QUARTER, EXCEPT THAT THE UC
19 PAYMENT TRANSFER AMOUNT SHALL NOT EXCEED THE AMOUNT SPECIFIED BY
20 AHCCCS AS REQUIRED TO FUND UC PAYMENTS FOR THE QUARTER.

21 “UC PAYMENT PERIOD” MEANS THE PERIOD BEGINNING ON THE FIRST DAY OF THE
22 PERIOD FOR WHICH CMS APPROVES UNCOMPENSATED CARE PAYMENTS FOR
23 PARTICIPATING HOSPITALS AND ENDING ON THE LAST DAY OF THE PERIOD FOR
24 WHICH AHCCCS IS AUTHORIZED BY STATE STATUTE AND CMS TO MAKE
25 UNCOMPENSATED CARE PAYMENTS TO PARTICIPATING HOSPITALS.

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SEC. -705. CREATION OF ACCESS TO CARE FUND.

(A) AN ACCESS TO CARE FUND IS CREATED AS A RESTRICTED SUBFUND WITHIN THE CITY. THE FUND SHALL BE USED TO ACCOUNT FOR THE ACCESS TO CARE PROGRAM MONIES AND SHALL CONTAIN ONLY THE FOLLOWING:

(1) PROCEEDS FROM ATC TAX PAYMENTS;

(2) PENALTIES AND INTEREST FOR LATE ATC TAX PAYMENTS;

AND

(3) MONIES REPAID TO THE CITY BY AHCCCS IN CONNECTION WITH THE TAX, THE UNCOMPENSATED CARE PAYMENTS OR THE SAFETY NET CARE POOL PAYMENTS.

(B) NO MONIES IN THE ACCESS TO CARE FUND SHALL REVERT TO, OR LAPSE INTO ANY OTHER FUND, INCLUDING THE CITY GENERAL FUND, EXCEPT THE AMOUNTS FOR ADMINISTRATIVE COSTS AS PROVIDED FOR IN SECTION -720(A) AND AMOUNTS FROM PENALTIES AND INTEREST AS PROVIDED FOR IN SECTION -720(E).

SEC. -710. IMPOSITION OF ACCESS TO CARE TAX AND RATE.

(A) AS OF THE EFFECTIVE DATE, THERE IS HEREBY LEVIED AND IMPOSED AN ATC TAX EQUAL TO _____ PERCENT OF THE INPATIENT NET PATIENT REVENUE ON PARTICIPATING HOSPITALS. IF THE MAXIMUM ALLOWABLE RATE UNDER FEDERAL LAW IS REDUCED BELOW 6.0 PERCENT, THE RATE SHALL BE AUTOMATICALLY REDUCED TO THE MAXIMUM ALLOWABLE RATE.

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1 (B) INPATIENT NET PATIENT REVENUE IS CALCULATED FROM THE
2 MEDICARE COST REPORT AS:

3 (1) THE SUM OF WORKSHEET G-2, COLUMN 1, LINES 1, 2, 2.01, 15,
4 17 AND 18;

5 (2) DIVIDED BY WORKSHEET G-2, COLUMN 3, LINE 25; AND

6 (3) MULTIPLIED BY WORKSHEET G-3, COLUMN 1, LINE 3.

7
8 (C) ALL DATA REQUIRED TO CALCULATE THE ATC TAX AND ITS
9 APPLICATION SHALL BE DERIVED FROM THE HOSPITAL MEDICARE COST
10 REPORTS WITH THE HOSPITAL FISCAL YEAR ENDING BETWEEN APRIL 1, 2010
11 AND MARCH 31, 2011.

12
13 **SEC. -715. COLLECTION OF TAX.**

14 (A) EXCEPT AS SPECIFIED IN (E) AND SECTION -735, THE ATC TAX
15 SHALL BE DUE AND PAYABLE ON THE DUE DATE ON A QUARTERLY BASIS WITH
16 A TAX PAYMENT FOR EACH QUARTER WITHIN THE UC PAYMENT PERIOD.
17 EACH TAX PAYMENT SHALL EQUAL ONE-FOURTH OF THE TOTAL AMOUNT
18 CALCULATED PURSUANT TO SECTION -710(A), EXCEPT THAT THE TAX
19 PAYMENT AMOUNT SHALL BE PRORATED IF THE UC PAYMENT PERIOD BEGINS
20 ON A DAY OTHER THAN THE FIRST DAY OF A QUARTER OR ENDS ON A DAY
21 OTHER THAN THE LAST DAY OF A QUARTER, BASED ON THE NUMBER OF DAYS
22 IN SUCH QUARTER THAT ARE WITHIN THE UC PAYMENT PERIOD.

23 (B) IF THE UC PAYMENT PERIOD IS LONGER THAN ONE YEAR,
24 ADDITIONAL QUARTERLY TAX PAYMENTS SHALL BE DUE, CALCULATED IN THE
25 MANNER SPECIFIED IN (A).

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1 (C) EACH PARTICIPATING HOSPITAL SHALL FILE AN ATC TAX FORM WITH
2 THE CITY IN SUCH FORM AND ON SUCH DATE AS THE TAX COLLECTOR SHALL
3 SPECIFY, PROVIDING THE DATA REQUIRED TO DETERMINE THE AMOUNT OF
4 THE ATC TAX PAYMENT DUE. THE TAX COLLECTOR MAY REQUIRE THE TAX
5 FORM TO BE SUBMITTED PRIOR TO THE DATE ON WHICH ALL CONDITIONS
6 SPECIFIED IN SECTION -735 HAVE OCCURRED.

7 (D) IF ANY PARTICIPATING HOSPITAL FAILS TO REMIT THE FULL AMOUNT
8 OF THE TAX PAYMENT OWED BY THE DUE DATE, THE TAX COLLECTOR SHALL
9 PROMPTLY NOTIFY THE PARTICIPATING HOSPITAL OF THE SHORTFALL
10 AMOUNT. THE PARTICIPATING HOSPITAL SHALL REMIT TO THE TAX
11 COLLECTOR FORTHWITH THE SHORTFALL AMOUNT ALONG WITH PENALTIES
12 AND INTEREST DUE PURSUANT TO SECTION -750.

13 (E) THE TAX COLLECTOR SHALL ADJUST THE DUE DATE(S) FOR ANY ATC
14 TAX PAYMENTS DUE WITHIN THE UC PAYMENT PERIOD PRIOR TO CMS
15 APPROVAL AS NECESSARY TO IMPLEMENT THE ACCESS TO CARE PROGRAM
16 AS SOON AS PRACTICABLE AFTER CMS APPROVAL DESCRIBED IN SECTION
17 -735 AND AS AGREED TO WITH AHCCCS. THE TAX COLLECTOR SHALL
18 PROVIDE WRITTEN NOTICE TO THE PARTICIPATING HOSPITALS INDICATING
19 THE DUE DATE(S) FOR THE APPLICABLE TAX PAYMENTS AT LEAST 5 DAYS
20 PRIOR TO SUCH DUE DATE(S).

21 (F) THE TAX COLLECTOR SHALL ACCOUNT FOR ALL ATC TAX PAYMENTS
22 AND ALL SHORTFALL AMOUNTS REMITTED PURSUANT TO SECTION (D) IN THE
23 ACCESS TO CARE FUND.

24
25 SEC. -720. USE OF ACCESS TO CARE TAX FUND.

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1 MONIES IN THE ACCESS TO CARE FUND MAY BE UTILIZED FOR THE FOLLOWING
2 PURPOSES:

3 (A) UP TO \$ OF THE COLLECTED TAX PAYMENTS EACH
4 QUARTER MAY BE USED BY THE CITY TO COVER THE ADMINISTRATIVE COST.
5 SUCH AMOUNT MAY BE INCREASED BY THE CITY UPON WRITTEN NOTICE TO
6 THE PARTICIPATING HOSPITALS 30 DAYS PRIOR TO THE NEXT TRANSFER DATE
7 IF THE CITY INCURS UNANTICIPATED COSTS INCLUDING COSTS FOR
8 ADMINISTRATION, LITIGATION OR BANKRUPTCY PROCEEDINGS RELATED TO
9 THE TAX.

10 (B) TO TRANSFER FUNDS TO AHCCCS PURSUANT TO SECTION -725
11 AND AN INTERGOVERNMENTAL AGREEMENT FOR THE PURPOSE OF
12 PROVIDING LOCAL FUNDING FOR THE NON-FEDERAL SHARE OF:

13 (1) UNCOMPENSATED CARE PAYMENTS TO PARTICIPATING
14 HOSPITALS;

15 (2) PAYMENTS TO MIHS THROUGH THE SAFETY NET CARE POOL;
16 AND

17 (3) EXPANDED HEALTH CARE COVERAGE TO INDIVIDUALS
18 THROUGH AHCCCS.

19 (C) TO REFUND TO PARTICIPATING HOSPITALS ANY ATC TAX
20 OVERPAYMENT OR AMOUNTS OTHERWISE COLLECTED IN ERROR;

21 (D) TO REFUND TO PARTICIPATING HOSPITALS PURSUANT TO SECTION
22 -745 ANY AMOUNTS REPAID BY AHCCCS TO THE TAX COLLECTOR AFTER
23 RECOUPMENT OF UNCOMPENSATED CARE PAYMENTS OR SAFETY NET CARE
24 POOL PAYMENTS FUNDED BY TAX PROCEEDS TRANSFERRED BY THE CITY;

25 AND

Proposed Changes to the Model City Tax Code

1 (E) WITH RESPECT ONLY TO PENALTIES AND INTEREST COLLECTED
2 PURSUANT TO SECTION -750, TO TRANSFER TO THE CITY'S GENERAL FUND
3 TO BE USED FOR ANY CITY-AUTHORIZED PURPOSE OR ANY BUDGETED
4 PURPOSE CONSISTENT WITH THE GENERAL FUND RULES.

5
6 **SEC. -725. TRANSFER TO AHCCCS.**

7 (A) FROM THE ATC TAX PAYMENTS COLLECTED EACH QUARTER, THE TAX
8 COLLECTOR SHALL RETAIN THE ADMINISTRATIVE COST.

9 (B) FROM THE ATC FUND REMAINDER, THE TAX COLLECTOR SHALL TRANSFER
10 TO AHCCCS EACH QUARTER ON THE TRANSFER DATE THE TRANSFER FUNDS,
11 EXCEPT AS PROVIDED UNDER SUBSECTIONS (C) OR (D). THE TRANSFER
12 FUNDS ARE EQUAL TO THE SUM OF: COVERAGE AMOUNT + SNCP TRANSFER
13 AMOUNT + UC PAYMENT TRANSFER AMOUNT.

14 (1) THE COVERAGE AMOUNT MEANS AN AMOUNT SPECIFIED BY
15 AHCCCS TO PAY FOR THE NON-FEDERAL SHARE OF THE EXPANDED
16 COVERAGE FOR THE UPCOMING QUARTER THAT IS PART OF THE
17 ACCESS TO CARE PROGRAM;

18 (2) THE SNCP TRANSFER AMOUNT SHALL EQUAL \$
19 PER QUARTER; AND

20 (3) THE UC PAYMENT TRANSFER AMOUNT IS DEFINED UNDER
21 SECTION -701.

22 (C) UNDER NO CIRCUMSTANCES SHALL THE TAX COLLECTOR BE REQUIRED TO
23 TRANSFER A TOTAL AMOUNT OF TRANSFER FUNDS GREATER THAN THE FUND
24 REMAINDER. IF THE TRANSFER FUNDS REQUIRED UNDER SUBSECTION (B)
25 EXCEED THE FUND REMAINDER, THE UC PAYMENT TRANSFER AMOUNT SHALL

Proposed Changes to the Model City Tax Code

1 BE REDUCED SUCH THAT THE AMOUNT OF THE TRANSFER FUNDS EQUALS
2 THE FUND REMAINDER.

3 (D) IN THE EVENT THAT THE FUND REMAINDER IS GREATER THAN THE
4 TRANSFER FUNDS SUCH THAT THERE ARE AMOUNTS REMAINING IN THE FUND
5 AFTER A QUARTERLY TRANSFER, THE TAX COLLECTOR SHALL RETURN TO
6 THE PARTICIPATING HOSPITALS WITHIN 15 DAYS AFTER THE TRANSFER DATE
7 THEIR PRO RATA SHARE OF THE FUND REMAINDER BASED ON THE ATC
8 QUARTERLY TAX AMOUNTS PAID UNDER SECTION -715(A). THE PRO-RATA
9 SHARE SHALL BE BASED ON THE PRIOR QUARTER. ADDITIONALLY, IN THE
10 EVENT A PARTICIPATING HOSPITAL OWES THE TAX COLLECTOR MONIES FOR
11 THE PREVIOUS OR CURRENT QUARTER, THE TAX COLLECTOR SHALL OFFSET
12 THAT PARTICIPATING HOSPITAL'S PRO-RATA SHARE BY THE AMOUNT OWED.

13 (E) IN THE EVENT THAT A PARTICIPATING HOSPITAL OWES A SHORTFALL
14 AMOUNT PURSUANT TO SECTION -715(D), THE TAX COLLECTOR SHALL NOT
15 TRANSFER TO AHCCCS ANY SUCH SHORTFALL AMOUNTS PAID UNTIL 95
16 BUSINESS DAYS AFTER RECEIPT OF THE SHORTFALL AMOUNT FROM THE
17 PARTICIPATING HOSPITAL. THE TAX COLLECTOR SHALL TRANSFER
18 SHORTFALL AMOUNTS TO AHCCCS ON THE NEXT TRANSFER DATE AFTER THE
19 95 DAY PERIOD ALONG WITH THE TRANSFER FUNDS FOR THE THEN-
20 APPLICABLE QUARTER. IN THE CASE OF SHORTFALL AMOUNTS FROM THE
21 LAST ATC TAX PAYMENT OWED BEFORE THE ATC TAX TERMINATES, THE TAX
22 COLLECTOR SHALL TRANSFER THE SHORTFALL AMOUNTS WITHIN 15 DAYS
23 AFTER THE 95 DAY PERIOD.

24
25 SEC. -730. NO IMPACT ON PATIENTS OR PAYERS.

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1 PARTICIPATING HOSPITALS SHALL NOT PASS THE COST OF THE TAX ONTO PATIENTS
2 OR ONTO THIRD PARTY PAYERS LIABLE TO PAY FOR THE CARE ON A PATIENT'S
3 BEHALF.

4
5 **SEC. -735. REQUIREMENTS FOR IMPLEMENTATION.**

6 THE TAX SHALL NOT BE DUE OR PAYABLE UNLESS AND UNTIL ALL OF THE
7 FOLLOWING OCCURS:

8 (A) CMS APPROVES THE UNCOMPENSATED CARE PAYMENTS AND THE
9 ACCESS TO CARE TAX;

10 (B) AHCCCS AGREES TO RETURN TO THE CITY THE NON-FEDERAL
11 SHARE OF ANY UNCOMPENSATED CARE PAYMENTS RECOUPED BY AHCCCS
12 FROM PARTICIPATING HOSPITALS, UNLESS SUCH RECOUPED PAYMENTS ARE
13 REDISTRIBUTED BY AHCCCS TO OTHER PARTICIPATING HOSPITALS PURSUANT
14 TO THE TERMS AND CONDITIONS OF THE FEDERAL APPROVAL OF THE
15 UNCOMPENSATED CARE PAYMENTS;

16 (C) AHCCCS AGREES TO RETURN TO THE CITY THE NON-FEDERAL
17 SHARE OF ANY SAFETY NET CARE POOL PAYMENTS FUNDED BY THE TAX AND
18 RECOUPED BY AHCCCS FROM MIHS;

19 (D) THE CITY ENTERS INTO AN INTERGOVERNMENTAL AGREEMENT
20 WITH AHCCCS; AND

21 (E) THE MUNICIPAL TAX CODE COMMISSION APPROVES THE ATC TAX.
22

23
24 **SEC. -740. TERMINATION.**

25 (A) THE ATC TAX SHALL TERMINATE ON SEPTEMBER 30, 2013, UNLESS
26 THE UC PAYMENT PERIOD EXTENDS BEYOND THAT DATE DUE TO AN

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1 EXTENSION OF AHCCCS' AUTHORIZATION TO MAKE UNCOMPENSATED CARE
2 PAYMENTS TO PARTICIPATING HOSPITALS AND AHCCCS' AUTHORIZATION TO
3 ACCEPT CITY FUNDS FOR THE NON-FEDERAL SHARE OF AHCCCS PAYMENTS
4 PURSUANT TO S.B. 1357. IN THE EVENT THAT THE ATC TAX EXTENDS BEYOND
5 SEPTEMBER 30, 2013, THE ATC TAX SHALL TERMINATE ON THE EARLIEST OF:

6 (1) THE DATE ON WHICH AHCCCS' AUTHORIZATION TO MAKE
7 UNCOMPENSATED CARE PAYMENTS TO PARTICIPATING HOSPITALS
8 ENDS;

9 (2) THE DATE ON WHICH AHCCCS' AUTHORIZATION TO ACCEPT
10 CITY FUNDS FOR THE NON-FEDERAL SHARE OF AHCCCS PAYMENTS
11 PURSUANT TO S.B. 1357 EXPIRES; OR

12 (3) DECEMBER 31, 2013.

13 (B) THE ACCESS TO CARE TAX SHALL TERMINATE PRIOR TO THE DATE
14 IN SUBSECTION (A) UPON ANY OF THE FOLLOWING CONDITIONS:

15 (1) THE ACCESS TO CARE TAX IS DETERMINED NOT TO BE A
16 PERMISSIBLE SOURCE OF NON-FEDERAL SHARE FUNDING;

17 (2) THE ACCESS TO CARE TAX IS OTHERWISE DETERMINED TO BE
18 UNLAWFUL UNDER CITY, STATE OR FEDERAL LAW; OR

19 (3) A STATEWIDE HOSPITAL TAX THAT MEETS THE DEFINITION
20 UNDER 42 CFR §433.68 IS ADOPTED AND TAKES EFFECT.

21
22 **SEC. -745. IMPACT OF TERMINATION OR RECOUPMENT**

23 (A) IN THE EVENT THAT THE AHCCCS REFUNDS ALL OR PART OF ANY
24 TRANSFERS MADE TO IT PURSUANT TO SECTION -725(B), THE CITY SHALL
25 RETURN TO THE PARTICIPATING HOSPITALS, WITHIN 15 DAYS OF RETURN OF

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1 THE FUNDS FROM AHCCCS , THEIR PRO RATA SHARE OF THE RETURNED
2 FUNDS BASED ON ATC TAX AMOUNTS PAID UNDER SECTION -710.

3 (B) IN EVENT THAT THE ATC TAX TERMINATES UNDER SECTION -740,
4 THE TAX COLLECTOR SHALL REFUND TO EACH PARTICIPATING HOSPITAL
5 WITHIN 15 DAYS OF TERMINATION THE PRO RATA PORTION OF ANY MONIES
6 REMAINING IN THE FUND THAT HAVE NOT BEEN SPENT OR IRREVOCABLY
7 ALLOCATED FOR THEIR DESIGNATED PURPOSES.

8
9 **SEC. -750. INTEREST AND PENALTIES.**

10 (A) IN THE EVENT A PARTICIPATING HOSPITAL OWES A SHORTFALL
11 AMOUNT TO THE TAX COLLECTOR PURSUANT TO SECTION -715(D), THE
12 PARTICIPATING HOSPITAL MUST PAY INTEREST ON SUCH SHORTFALL AMOUNT
13 FROM THE DELINQUENCY DATE UNTIL IT IS REMITTED TO THE TAX
14 COLLECTOR. THE INTEREST RATE SHALL BE DETERMINED PURSUANT TO
15 SECTION -540.

16 (B) IN ADDITION TO INTEREST BEING ASSESSED UNDER SUBSECTION
17 (A), ANY PARTICIPATING HOSPITAL THAT FAILS TO PAY ANY OF THE ATC TAX
18 IMPOSED BY THIS CHAPTER WHICH WERE DUE OR FOUND TO BE DUE BEFORE
19 THE DELINQUENCY DATE SHALL BE SUBJECT TO AND SHALL PAY TWO (2)
20 PERCENT CIVIL PENALTIES ON THE SHORTFALL AMOUNT.

21 (C) PENALTIES PROVIDED FOR UNDER SECTION -540 ARE NOT
22 APPLICABLE.

23 (D) PENALTIES AND INTEREST IMPOSED BY THIS SECTION ARE DUE AND
24 PAYABLE UPON NOTICE BY THE TAX COLLECTOR.

25

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1 SEC. -755. EXAMINATION OF BOOKS AND RECORDS; FAILURE TO PROVIDE
2 RECORDS.

3 (A) THE TAX COLLECTOR AND THE PARTICIPATING HOSPITALS SHALL
4 HAVE ALL THE RIGHTS AND OBLIGATIONS AS STATED IN SECTION -555.

5 (B) NOTHING IN THIS ORDINANCE MAY BE READ AS A WAIVER OF ANY
6 RIGHTS THE TAX COLLECTOR MAY HAVE UNDER THE CODE OR BY CITY
7 CHARTER WITH REGARDS TO THE ABILITY TO ENFORCE AND/OR COLLECT ALL
8 MONIES OWED BY THE PARTICIPATING HOSPITALS EXCEPT WHERE
9 EXPRESSLY STATED.

10 (C) ALL OTHER PROVISIONS IN THE CODE OR CITY CHARTER ARE APPLICABLE
11 UNLESS EXPRESSLY STATED OTHERWISE.

12