

WHO MUST PAY THE TAX?

You must be licensed and pay tax if you are in the business of leasing, licensing-for-use or renting commercial real property located within the City of Tempe. The entity leasing or renting to the tenant in actual possession is responsible for the tax.

Examples include: office buildings, stores, warehouses, factories, churches, vacant land, parking lots, banquet halls, meeting rooms, and storage facilities (e.g. mini-storage).

LICENSE REQUIREMENTS

Owners of commercial rental properties are required to obtain and maintain a privilege (sales) tax license.

A separate license is required for each non-residential rental property.

The license must be maintained in the exact name of the legal owner of the property. Any changes in legal ownership require a new license within 30 days of the change.

Commercial and residential properties may not be maintained on the same license; separate licenses are required.

WHAT IS THE TAX RATE?

The City's tax rate is 1.8%

WHEN IS THE TAX DUE?

Your tax return and payment is due on the 20th day of the month following the reporting period.

FOR ADDITIONAL INFORMATION

Call: (480) 350-2955

Visit the Tax & License Web Page at:
www.tempe.gov/salestax

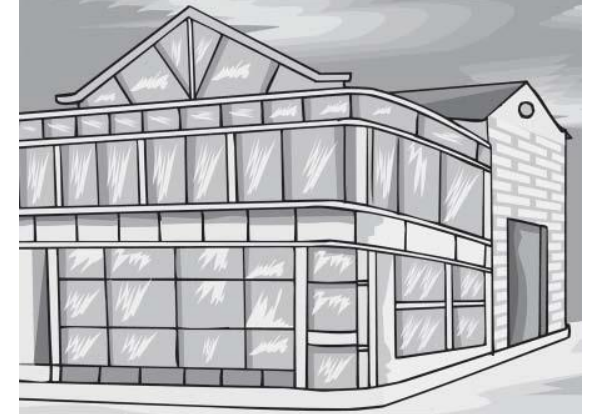
Email: rent@tempe.gov

Write or Visit:
City of Tempe
Tax & License Division
20 E. 6th St., 3rd Floor
Tempe, AZ 85281

Hours: Monday – Friday 8:00 – 5:00

COMMERCIAL

Real Property Rentals



**City of Tempe
Privilege (Sales) Tax**



*This publication is for general information only.
Please refer to the City of Tempe Code for
complete information.*

April 2015

WHAT IS TAXABLE?

All amounts paid by the renter to, or on behalf of, the owner are taxable.

In addition to rent, taxable income includes payments **by the tenant** for:

- Common area maintenance (CAM)
- Telecommunications (cable TV, phone, internet)
- Non-refundable deposits
- Forfeited deposits
- Utilities (not separately metered)
- Landscape maintenance
- Association fees
- Late fees, court fees and legal fees
- Repairs and/or tenant improvements
- Property taxes

Rentals to non-profit organizations and government agencies are taxable.

DEDUCTIONS FROM INCOME

The Tempe privilege tax is calculated on your gross receipts. It is not a tax on your net income. Expenses are not deductible.

The following items may be taken as a deduction on your tax return when they are **included** in the gross reported receipts:

- City privilege and County excise tax collected or factored
- Bad debts on which tax was paid on a previous return
- Refundable security deposits, unless they are retained
- Utility charges only if individual utility meters have been installed and each

tenant pays the exact amount billed by the utility company

The following expenses paid by the owner or tenant are **NOT** allowable deductions:

- Repairs, landscape maintenance or other service labor
- Common area maintenance fees
- Property taxes

RELATED PARTIES

Effective July 1, 2013, income derived from commercial leases between affiliated entities is exempt from transaction privilege tax. To qualify for the exemption, the lessor must own 80% of the lessee, or the lessee must own 80% of the lessor, or 80% of both the lessor and lessee must be owned by a third party.

If you have any questions concerning this exemption, please call the Tax & License office at 480-350-8656. To claim the exemption, please complete the Commercial Rental Claim for Exemption form and submit it to the Tax & License office at:

City of Tempe
Tax & License Division
20 E. 6th St., 3rd Floor
Tempe, AZ 85281

LICENSING-FOR-USE

When an agreement is made to provide commercial space without the full rights of a lessee, it is considered licensing-for-use of real property and is taxable. For example, commissions received for licensing space for vending machines, games or pay phones are considered to be licensing-for-use of real property and are taxable.

SUBLEASING

Income from subletting of property is taxable. For example, a retailer who leases a building and then sublets a portion of the space to another retailer for the right to occupy a section of the premises is subject to tax on the income from the sublease.

CALCULATING THE FACTORED TAX DEDUCTION

If you include tax in your rent (no separate charge for tax), you may compute the amount of tax included in your gross income for deduction purposes in the following manner:

Gross Income	X	Factor Rate	=	Factored Tax Deduction
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Example:				
\$1,000	X	.02248	=	\$22.48