

Residential Rental

WHO MUST PAY THE TAX

You must be licensed and pay tax if you lease or rent residential real property located within the City of Tempe. The person leasing or renting to the tenant in actual possession is responsible for the tax.

Examples of residential rentals include: houses, condos, townhouses, apartments, manufactured homes, and mobile home (trailer) spaces. Rental of a residential space, such as a room to a college student, is also taxable.

Rentals for less than 30 consecutive days are subject to an additional 5% tax on Transient Lodging.

LICENSE REQUIREMENTS

Owners of residential rental properties are required to obtain and maintain a privilege (sales) tax license. The license must be maintained in the name of the owner, unless your property management company uses their master license to report for you.

HOW TO LICENSE

Effective January 1, 2017 the Arizona Department of Revenue will administer and collect taxes for all cities in the State. This includes all residential rental properties in the City of Tempe.

To become licensed with the Arizona Department of Revenue, file the application that is available on either the City of Tempe web page or the Arizona Department of Revenue web page at AZDOR.GOV. There is also an online option that can be used to apply and pay the Arizona Department of Revenue. The online option can be used by registering first at AZTAXES.GOV. Once a user ID has been created a secure password will be sent from DOR and the application form can be completed.

APPLICATION FORM

If a manual (paper) application is completed the correct form to use is titled "Residential Rental Transaction Privilege Tax Application". Only applicants with no other business activity (except residential rental) are allowed to use this form.

Because the Arizona Department of Revenue ad-

ministers all State tax filings the application form must be completed in full, including a Social Security number for an individual or a FEIN number for a business. A FEIN number is required for LLC's and Trusts.

FEES

The City of Tempe fee is \$50.00 for each individual rental property location.

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:

- Pet fees
- Telecommunications (cable TV, internet, phone)
- Non-refundable deposits
- Forfeited deposits
- Utilities (not separately metered)
- Pool service or landscape maintenance
- Homeowner association fees
- Late fees, court fees and legal fees
- Repairs and/or improvements
- Property taxes
- Mortgages or home equity loans

DEDUCTIONS FROM INCOME

The Tempe privilege tax is calculated on 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 tax collected or factored
- Bad debts on which tax was paid on a previous return
- Refundable security deposits, unless they are forfeited
- Utility charges, only if individual utility meters have been installed and each tenant pays the exact amount billed by the utility company
- Room charges to patients of qualifying health care organizations

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

- Payments for repairs, pool service, landscape maintenance or other service labor
- Homeowner association fees

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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:

Example:

Gross * Factor Rate = Factored Tax Deduction
\$950.00 * 0.01768 = \$16.80

COUNTY REQUIREMENTS

In addition to your City of Tempe licensing requirements, you must also register and classify your property as a rental with the Maricopa County Assessor's Office. You may be subject to fines if you do not. Please contact the Assessor's office directly at (602) 506-3877 or online at: www.maricopa.gov/assessor.

WHAT IS THE TAX RATE

The City's tax rate is 1.8%

FOR ADDITIONAL INFORMATION

Call: (480) 350-2955

Web Page: www.tempe.gov/salestax

Email: rent@tempe.gov

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

Hours: Monday – Friday 8 a.m. – 5 p.m.

Code Compliance — helpful information

Renting In Tempe

www.tempe.gov/city-hall/community-development

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