City of Tempe
Tax & License Division
20 E. 6th Street, 3rd floor
Tempe, AZ 85281
(480) 350-2955
www.tempe.gov/salestax

Residential Rentals

Reporting Requirements

Tempe Sales Tax

WHAT RESIDENTIAL RENTAL INCOME IS TAXABLE?

All payments made by the renter to or on behalf of the lessor are taxable. Federal Rent Subsidies are taxable.

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

- All common income sources
- Charges for utilities, unless separately metered and "pass through" only
- Reimbursements (damages, keys, etc.) received from the tenants
- Common area fees and maintenance charges
- Pool service or landscape maintenance
- Telecommunications (phone, cable TV and internet service)
- Common area maintenance
- Landscape maintenance or pool service
- Pet fees
- Homeowner association fees
- Late fees, court fees and legal fees
- Repairs and/or improvements
- Payments of property taxes
- Owner's mortgages or home equity loans
- Forfeited deposits
- Non-refundable deposits.

Non-refundable deposits

Security deposits, cleaning deposits, pet fee deposits, etc. are taxable in the month they are forfeited by the tenant.

Renting to a family member is taxable but may be exempt from County registration or classification requirements.

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

- Payments for repairs, pool service, landscape maintenance, or other service labor
- Homeowner association (HOA) fees
- Commissions or fees paid to a property manager
- Any other expense not specifically mentioned in the Code.

WHAT RESIDENTIAL RENTAL INCOME IS NOT TAXABLE?

The Tempe privilege tax is calculated on your gross receipts. It is not a tax on your net income. The following items may be taken as a deduction on your tax return (only when included in the gross income on the front of your tax return):

- City tax collected or factored into total revenue
- Bad debts on which tax was paid on a previous month's return
- Refundable security deposits, unless they are forfeited
- Utility charges if individual meters have been installed and each tenant pays the exact amount billed by a utility department
- Room charges to patients of qualifying health care organizations.

Deductions must be properly segregated in all documents and accounting records. Business records must be kept and maintained. In the absence of documentation, taxes will be assessed on gross receipts or estimated on a reasonable basis.

DUE DATE

Tax reports are due by the 20th of the month following a reporting period and are delinquent if not received in our office by the last business day of such month (without regard to postmark date).

My unit is currently vacant; do I still need to file a return?

Even if you had zero rental income, you are still required to file a return. On the return you will indicate no activity for the reporting period by entering zero in the revenue column.

Note: The purchaser of rental property may be liable for taxes owed by the previous landlord.