



Transaction Privilege Tax - Residential Rental

Pub 645
Revised: Feb. 2019

To better serve you, the Arizona Department of Revenue (ADOR) offers online assistance and filing of your business taxes. To register to use the site and to file your taxes, go to AZTaxes.gov.

This publication provides general information about transaction privilege tax (TPT) on residential rental businesses and is intended for the property owner/landlord.

The transaction privilege tax is a tax on the privilege of doing business in Arizona. The transaction privilege tax is imposed on persons engaged in business under the residential rental classification by the Model City Tax Code. In case of inconsistency, error, or omission in this publication, the language of the Model City Tax Code will prevail.

Every residential rental property owner is required to obtain an Arizona TPT license from ADOR for each location where residential rental income is taxable. This applies regardless if the owner rents the property themselves or employs a property management company (PMC). You may find the [Residential Rental Transaction Privilege Tax Application](#) on azdor.gov.

What is residential rental?

Residential rental is the rental of real property for a period of more than 30 days for residential purposes and not commercial purposes. Not all cities license residential rental properties. Please refer to the [Residential Rental Licensing Matrix](#) found on azdor.gov to determine if your city requires a TPT license.

What residential rental income is taxable?

All payments made by the tenant or on behalf of the landlord are taxable (list is not inclusive).

Common income sources

- Rent
- Non-refundable and forfeited deposits
- Late payment fees
- Pet fees
- Federal rent subsidies (HUD)

Fees passed onto the tenant

- Common area fees
- Maintenance charges
- Homeowner association fees
- Landscaper maintenance
- Property tax
- Pool Service
- Repairs and/or improvements

Deductions

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. Expenses incurred by the landlord, such as mortgage payments or repairs, are NOT DEDUCTIBLE.

Common deductions include:

- Tax collected or factored
- Lease for re-lease

- Individually metered utility charges assessed tenants as a “pass-through” charge.

What is the Tax Rate and How Do I Pay?

If you have more than one taxable property, you are required to file and pay online at AZTaxes.gov. (Arizona Revised Statute § 42-5014 (J)).

Residential rental tax rates vary by city and can be found in the [Arizona State, County and City Transaction Privilege and Other Tax Rate Tables](#) under business code 045. This tax is imposed only at the city level.

Online Lodging Marketplaces

A landlord may offer a rental property on an Online Lodging Marketplace (OLM) or another type of digital platform. Effective January 1, 2019, the OLM is required to be registered with the department to file and pay the tax on the transactions made through their online platform.

Some landlords may employ a PMC to manage the rental of the real property. If this occurs, the PMC may file and pay any applicable tax on behalf of the landlord. However, please note, the landlord is ultimately liable for filing and paying the taxes owed.

Short-Term or Vacation Rentals

Some landlords may rent their properties for less than 30 days at a time. These rentals are subject to the State Transient Lodging classification, and the Hotels classification under the Model City Tax Code. The additional tax on transient lodging under the Model City Tax Code may also apply to these rentals in that city/town.

Excess Tax

If the amount passed on as tax is greater than the actual tax due, the additional amount must be reported as excess tax.

Due Dates

Tax returns are due by the 20th of the month following a reporting period and are delinquent if not received by the last business day of such month. However, for taxpayers that file by mail, the return and payment will be considered to be filed timely if received by the department on or before the second to the last business day of the month. A business day is any day except Saturday, Sunday, or a legal Arizona state holiday. **The return must be filed even when no income has been received.**

Filing Frequency

If your total estimated annual combined Arizona, county and municipal transaction privilege tax liability is less than \$2,000, you may file and pay annually; if your annual transaction privilege tax liability is between \$2,000 and \$8,000, you may file and pay quarterly. Otherwise, your transaction privilege taxes are due monthly. To update your filing frequency, please complete the [ADOR Business Account Update Form](#) or you may call the department.

Business License Requirements

Your city may impose additional requirements beyond the transaction privilege tax license. Check with the city in which your property is located for more information.

County Assessor Residential Rental Registration

In addition to the transaction privilege tax licensing requirements, all Arizona counties require residential rental properties to be registered with the County Assessor. There may be penalties and fines for properties not correctly identified or registered as a rental property with your County Assessor.

For Additional Information, call:

Hotline (602) 716-RENT (7368)
Phoenix(602) 255-3381
Toll free from area codes 520 & 928(800) 352-4090

Or Write to:

Arizona Department of Revenue
Customer Care & Outreach
PO Box 29086
Phoenix AZ 85038-9086

Email:

residentialrental@azdor.gov

For Related Tax Information:

ADOR Website www.azdor.gov
File and Pay Online www.AZTaxes.gov

This publication is available in an alternative format upon request.