



TOWN OF  
**PARADISE VALLEY**

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TOWN OF PARADISE VALLEY, ARIZONA 85253-4399

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**OFFICE OF:**

## Privilege Tax on Real Property Rental Receipts

Dear Property Manager/Property Owner:

The Town of Paradise Valley levies a 1.65 % (effective September 1, 2004) privilege tax on the gross business receipts derived from the rental of commercial and residential real properties. All residential and commercial real rental properties are subject to the Town tax, including single-family homes and office space, storage facilities, or parking lots. The State of Arizona does not levy a privilege tax on residential rentals of 30 consecutive days or more. The State of Arizona does tax commercial rentals.

Gross rent receipts include rent, late fees, sewer-trash charges, and non-refundable deposits. Further, the income received as a commission from telephone, drink, or laundry machine operators is taxable as licensing for use of real property.

The Paradise Valley privilege tax is collected by the Arizona Department of Revenue. You may contact the Department of Revenue at 602-542-4576 or 800-634-6494 to obtain an application for a tax license.

Please contact the Town Tax Auditor, Al Holler 480-940-1130 to discuss any questions you may have on this matter.

**Sec. 4A-440. Rental occupancy.**

- (a) For the purposes of this Section only, the following definitions shall apply:
- (1) "Landlord" means any lessor of real property under a pre-existing lease.
  - (2) "Pre-existing Lease" means any written lease, license for use, or rental agreement entered into prior to December 1, 1967; except for the following:
    - (A) any bilateral amendment to such written agreement which was entered into subsequent to December 1, 1967, wherein the length of the term or the size of the premises affected is changed or both.
    - (B) any such agreement for lodging or lodging space.
  - (3) "Rent" means all consideration paid by the tenant to his landlord or to another in payment of or diminution of his own or his landlord's obligation in connection with the real property occupied by the tenant, whether or not such occupancy is designated as a rent, lease or license for use of real property.
  - (4) "Tenant" means any lessee of real property under a pre-existing lease.
- (b) The tax rate shall be at an amount of one and sixty-five hundredths percent (1.65%) of the gross rent paid by a tenant, to the extent of his occupancy of real property in this Town under a pre-existing lease, upon such tenant, for the privilege of such occupancy, subject to the provisions of this Section.
- (c) Exclusions. The tax imposed by this Section shall not apply to:
- (1) occupancy by a tenant which the Constitution or laws of the United States or of the State of Arizona prohibit the Town from taxing.
  - (2) occupancy by a tenant of a landlord which the Constitution or laws of the United States or of the State of Arizona prohibit the Town from taxing.
  - (3) occupancy of lodging or lodging space.
  - (4) occupancy of real property under other than a pre-existing lease.
- (d) Duty of landlords. Every landlord of a tenant subject to the tax:
- (1) shall collect the tax imposed by this Section from the tenant liable for the tax at the same time as and together with the tenant's periodic or other payment of rent. The tax required to be collected shall constitute a debt owed by the landlord to the Town.
  - (2) shall be considered a taxpayer subject to all licensing, recordkeeping, and reporting requirements of this Chapter.
- (e) Duty of tenants. Every tenant liable for the tax:
- (1) shall, in any instance in which the tax has not been collected by his landlord, remit such tax to the Tax Collector, and in such case, be subject to all licensing and reporting requirements of this Chapter.
  - (2) shall maintain, and provide upon request, books and records sufficient for the Tax Collector to determine the tax liability of such tenant.
- (f) Interest and civil penalties shall be the liability of the landlord collecting and remitting the tax; provided, however, that if the landlord can present clear and convincing evidence that the delinquency was caused by the tenant, then said interest and penalties shall be the liability of the tenant.
- (g) Extension of rights of appeal to include tenants and landlords.
- (1) Any landlord or tenant may avail himself of the provisions of Sections 4A-570 through 4A-575, relating to appeals, and, except as modified hereunder, all provisions of said Sections shall apply.
  - (2) For the purposes of preserving appeal rights, an assessment against a landlord may be protested and appealed by any tenant paying or liable to pay the tax for the occupancy included in such assessment.

- (3) Payment of the tax herein imposed to a landlord by a tenant shall be deemed payment of the tax for the tenant for the purposes of allowing a protest to be initiated under Sections 4A-570 through 4A-575.
  - (4) The filing of a protest petition by a tenant shall not relieve the landlord of his obligation to report and remit the protested tax, or any subsequent periodic payments of tax governed by the initial protest.
- (h) Refunds. Any refunds of taxes authorized by this Chapter shall be made to the tenant. Any refunds of interest and civil penalties authorized by this Chapter shall be made to the person liable for such, as provided in subsection (f) above.

**Sec. 4A-445. Rental, leasing, and licensing for use of real property.**

- (a) The tax rate shall be at an amount equal to one and sixty-five hundredths percent (1.65%) of the gross income from the business activity upon every person engaging or continuing in the business of leasing or renting real property located within the Town for a consideration, to the tenant in actual possession, or the licensing for use of real property to the final licensee located within the Town for a consideration including any improvements, rights, or interest in such property; provided further that:
  - (1) Payments made by the lessee to, or on behalf of, the lessor for property taxes, repairs, or improvements are considered to be part of the taxable gross income.
  - (2) Charges for such items as telecommunications, utilities, pet fees, or maintenance are considered to be part of the taxable gross income.
  - (3) However, if the lessor engages in telecommunication activity, as evidenced by installing individual metering equipment and by billing each tenant based upon actual usage, such activity is taxable under Section 4A-470.
- (b) If individual utility meters have been installed for each tenant and the lessor separately charges each single tenant for the exact billing from the utility company, such charges are exempt.
- (c) Charges by a qualifying hospital, qualifying community health center or a qualifying health care organization to patients of such facilities for use of rooms or other real property during the course of their treatment by such facilities are exempt.
- (d) Charges for joint pole usage by a person engaged in the business of providing or furnishing utility or telecommunication services to another person engaged in the business of providing or furnishing utility or telecommunication services are exempt from the tax imposed by this Section.
- (e) Exempt from the tax imposed by this Section is gross income derived from the rental, leasing, or licensing for use of real property to a qualifying hospital, qualifying community health center or a qualifying health care organization, except when the property so rented, leased, or licensed is for use in activities resulting in gross income from unrelated business income as that term is defined in 26 U.S.C. Section 512.
- (f) (Reserved)
- (g) (Reserved)
- (h) (Reserved)
- (i) (Reserved)
- (j) Exempt from the tax imposed by this Section is gross income derived from the activities taxable under Section 4A-444 of this code.

- (k) (Reserved)
- (l) (Reserved)
- (m) (Reserved)
- (n) Notwithstanding the provisions of Section 4A-200(b), the fair market value of one (1) apartment, in an apartment complex provided rent free to an employee of the apartment complex is not subject to the tax imposed by this Section. For an apartment complex with more than fifty (50) units, an additional apartment provided rent free to an employee for every additional fifty (50) units is not subject to the tax imposed by this Section.
- (o) Income derived from incarcerating or detaining prisoners who are under the jurisdiction of the United States, this State or any other state or a political subdivision of this State or of any other state in a privately operated prison, jail or detention facility is exempt from the tax imposed by this Section.
- (p) Charges by any hospital, any licensed nursing care institution, or any kidney dialysis facility to patients of such facilities for the use of rooms or other real property during the course of their treatment by such facilities are exempt.
- (q) Charges to patients receiving "personal care" or "directed care", by any licensed assisted living facility, licensed assisted living center or licensed assisted living home as defined and licensed pursuant to Chapter 4 Title 36 Arizona Revised Statutes and Title 9 of the Arizona Administrative Code are exempt.

**Sec. 4A-450. Rental, leasing, and licensing for use of tangible personal property.**

- (a) The tax rate shall be at an amount equal to one and sixty-five hundredths percent (1.65%) of the gross income from the business activity upon every person engaging or continuing in the business of leasing, licensing for use, or renting tangible personal property for a consideration, including that which is semi-permanently or permanently installed within the Town as provided by Regulation.
- (b) Special provisions relating to long-term motor vehicle leases. A lease transaction involving a motor vehicle for a minimum period of twenty-four (24) months shall be considered to have occurred at the location of the motor vehicle dealership, rather than the location of the place of business of the lessor, even if the lessor's interest in the lease and its proceeds are sold, transferred, or otherwise assigned to a lease financing institution; provided further that the city or town where such motor vehicle dealership is located levies a Privilege Tax or an equivalent excise tax upon the transaction.
- (c) Gross income derived from the following transactions shall be exempt from Privilege Taxes imposed by this Section:
  - (1) rental, leasing, or licensing for use of tangible personal property to persons engaged or continuing in the business of leasing, licensing for use, or rental of such property.
  - (2) rental, leasing, or licensing for use of tangible personal property that is semi-permanently or permanently installed within another city or town that levies an equivalent excise tax on the transaction.
  - (3) rental, leasing, or licensing for use of film, tape, or slides to a theater or other person taxed under Section 4A-410, or to a radio station, television station, or subscription television system.
  - (4) rental, leasing, or licensing for use of the following:
    - (A) prosthetics.

(B) income-producing capital equipment.

(C) mining and metallurgical supplies.

These exemptions include the rental, leasing, or licensing for use of tangible personal property which, if it had been purchased instead of leased, rented, or licensed by the lessee or licensee, would qualify as income-producing capital equipment or mining and metallurgical supplies.

- (5) rental, leasing, or licensing for use of tangible personal property to a qualifying hospital, qualifying community health center or a qualifying health care organization, except when the property so rented, leased, or licensed is for use in activities resulting in gross income from unrelated business income as that term is defined in 26 U.S.C. Section 512 or rental, leasing, or licensing for use of tangible personal property in this State by a nonprofit charitable organization that has qualified under Section 501(c)(3) of the United States Internal Revenue Code and that engages in and uses such property exclusively for training, job placement or rehabilitation programs or testing for mentally or physically handicapped persons.
- (6) separately billed charges for delivery, installation, repair, and/or maintenance as provided by Regulation.
- (7) charges for joint pole usage by a person engaged in the business of providing or furnishing utility or telecommunication services to another person engaged in the business of providing or furnishing utility or telecommunication services.
- (8) the gross income from coin-operated washing, drying, and dry cleaning machines, or from coin-operated car washing machines. This exemption shall not apply to suppliers or distributors renting, leasing, or licensing for use of such equipment to persons engaged in the operation of coin-operated washing, drying, dry cleaning, or car washing establishments.
- (9) rental, leasing, or licensing of aircraft that would qualify as aircraft acquired for use outside the State, as prescribed by Regulation, if such rental, leasing, or licensing had been a sale.
- (10) rental, leasing and licensing for use of an alternative fuel vehicle as defined in A.R.S. Section 43-1086 if such vehicle was manufactured as a diesel fuel vehicle and converted to operate on alternative fuel and equipment that is installed in a conventional diesel fuel motor vehicle to convert the vehicle to operate on an alternative fuel, as defined in A.R.S. Section 1-215.



Maricopa County Assessor  
Keith E. Russell, MAI

## RESIDENTIAL RENTAL PROPERTY—NOTICE AND REGISTRATION REQUIREMENTS

### **NOTICE**

#### **To Owners of Residential Rental Property in Maricopa County**

1. **Rental Registration.** Under A.R.S. § [33-1902](#)<sup>1</sup> an owner of a residential rental property in Maricopa County must register certain information relating to the property and its ownership with the Maricopa County Assessor. ALL owners of residential rental properties must register their properties regardless of whether the tenant is a family member. Under the statute, out-of-state owners must designate a statutory agent who lives in Arizona who will accept legal service on behalf of the owner. Whether organized in Arizona or elsewhere, a corporation, limited liability company, partnership, limited partnership, trust or real estate investment trust must not only designate a statutory agent, but must also register the name, address and telephone number of both the ownership entity and a principal within the entity as set forth in the registration form

Failure to register the property or to timely update any information required by A.R.S § 33-1902 may subject the owner to penalties and other consequences as provided in the statute. An owner may register his rental property at the link provided below. The registration may be filed electronically, by mail or by facsimile. A registration may be rejected if it does not provide all of the information requested.

[http://www.maricopa.gov/Assessor/Residential\\_Property\\_Form.aspx](http://www.maricopa.gov/Assessor/Residential_Property_Form.aspx)

2. **Classification.** The Assessor classifies property based upon its use. Owner-occupied residential properties and residential properties being rented to qualifying family members (A.R.S. § [42-12053](#)<sup>2</sup>) are class 3 properties (A.R.S. § 42-12003). Residential properties being rented to persons other than qualifying family members, or that the owner intends to rent to non-qualifying family members, are class 4 (A.R.S. § 42-12004).

The Assessor will classify a residential property as class 3 or class 4 dependent upon the best information available to it. When the owner of a rental residential property registers its property with the Assessor under A.R.S § 33-1902 as provided in paragraph No. 1 above, the Assessor will assume that the property is being rented to a non-qualifying family member and will classify the property as a class 4 property unless the owner indicates on the registration form that the property is being rented to a qualifying family member.

If a property owner is renting a residential property to a non-qualifying family member or is attempting to do so, and the Assessor has that property misclassified as a class 3 owner-occupied property, the owner must notify the Assessor of the misclassification. A.R.S. § 42-15103. The owner can notify the Assessor of the misclassification by calling the Assessor's Office at 602-372-0717. If an owner fails to notify the Assessor of the misclassification, and fails to respond to subsequent written queries from the Assessor, the owner may be subject to penalties as provided in A.R.S. § 42-12052.

If, on the other hand, a residential property is occupied by the owner or is being rented to a qualifying family member, and the Assessor has the property misclassified as a class 4 rental property, the owner should notify the Assessor at the telephone number provided above and the Assessor will correct the classification.