



ARIZONA TRANSACTION PRIVILEGE TAX NOTICE

TPN 19-1

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Governor

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Interim Director

Pursuant to A.R.S. 42-6005(B), when the state statutes and Model City Tax Code are the same and where the department has issued written guidance, the department's interpretation is binding on cities and towns. In all other situations, interpretation of the Model City Tax Code is the purview of the city group assigned for that purpose.

THIS TPN APPLIES FOR STATE, COUNTY AND CITY TAX PURPOSES.

Purpose:

The purpose of this notice is to identify the responsibilities of an *online lodging marketplace* (OLM) and property owners engaging in the rental of lodging accommodations using online platforms to list short-term and long-term property rentals. This TPN will assist in the determination of whether these online platforms are required to register with the Department of Revenue (department) as an *OLM* for collecting and remitting transaction privilege taxes (TPT) from online lodging transaction income received from the short-term and long-term rentals in Arizona.

Short-term rentals are defined as rentals that are for less than 30 days. Long-term rentals are defined as lodging accommodations for 30 consecutive days or more.¹ For purposes of this notice, properties classified as class one properties for property tax purposes are not included.² Also, for state and county tax purposes, OLMs are taxable only on short-term rentals though they may be taxable by some municipalities for long-term purposes as well.

An *OLM* is any digital platform that provides, at a cost, an unaffiliated third party with a platform to rent lodging accommodations. See Arizona Revised Statutes (A.R.S.) § 42-5076(E)(1).

A.R.S. § 42-5076, OLM classification, imposes TPT on the business of operating an OLM. The tax base for the OLM classification is the gross proceeds of sales or gross income derived from the business measured by the total amount charged for an online transient lodging transaction by the online lodging operator (operator). All OLMs are required to

¹ The State of Arizona does not tax long term property rentals; some municipalities do impose a tax on this activity.

² Class one properties are classified as commercial properties for property tax purposes in most cases.

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register with the department after December 31, 2018, and remit TPT for all taxing jurisdictions.³

A.R.S. § 42-6009 provides that a city or town may levy a TPT on an OLM from any activity subject to tax under the Model City Tax Code (MCTC). Thus, cities may assess taxes on an OLM's short-term rentals as well as rentals of lodging accommodations within any city or town for more than twenty-nine (29) consecutive days (long-term rentals).

Analysis and Discussion:

There are several different types of online platforms used by operators to list their properties. This notice includes information related to short-term and long-term property rentals.

Third-party Marketplaces:

Third-party marketplaces provide a digital platform for unaffiliated operators to list their properties for rent. Operators can provide details about their processes and conditions on the platform. The online platform makes a commission and/or listing fee on the rental from the operator.

Online Lodging Marketplaces (OLM)

OLMs list properties for rent and collect the full amount charged by the operator for accommodations booked by the customer. Companies that fall under this category meet the definition of an OLM and are required to register with the department pursuant to A.R.S. § 42-5005 and §42-5076 for TPT (state, county, and city) collection and remittance purposes. **Note:** *certain counties do not impose a tax on OLMs, so the operator may notice a different tax rate on the report the OLM provides to it.*

See [OLM Example 1 in the Appendix](#) for more information.

Operator (Merchant) Marketplaces:

These are online marketplaces where the operator directly markets properties on its website. Companies that fall under this category do not meet the definition of an OLM and are not required to register with the department pursuant to A.R.S. § 42-5005 and §42-5076 for TPT (state, county, and city) collection and remittance purposes. Since it is the operator who is directly operating the website and offering its properties, the operator is responsible for taxes

³ SB 1382, signed by the Governor on April 11, 2018, requires *all* OLMs to register with the Department after December 31, 2018.

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under the *transient lodging* classification, A.R.S. § 42-5070 for the State, unless another deduction applies.⁴ The operator is also responsible for reporting taxes under the *hotel classification (additional hotel, if applicable)* for the cities.

See [Operator \(Merchant\) Marketplace Example 2](#) in the Appendix for more information.

Property Management:

In this model, a company provides property management services to operators and lists the properties on its website. Services provided by property management companies can include online marketing and listing the property, property maintenance and housekeeping, collection of rent and deposits, and inquiries from tenants. Companies that fall under this category do not meet the definition of an *OLM* because they are directly operating the website and offering the properties they manage on their website. These companies are not required to register as OLMs with the department pursuant to A.R.S. §42-5076 for state or city tax collection and remittance purposes. However, *they are responsible for collecting and remitting taxes under the transient lodging classification for the State, A.R.S. § 42-5070⁵ and the hotel (additional hotel, if applicable) and residential rental tax for the cities under the MCTC.*

Many real estate companies also provide property management services to operators and list properties on their websites. Services provided by these real estate companies can include online marketing and listing the property on their website, property management, collection of rent and deposits, and inquiries from tenants. As noted above, these companies provide property management services to short-term and long-term rental property owners and do not meet the definition of an *OLM* because they are directly operating their websites and offering the properties they manage on their websites. These companies are not required to register with the department as OLMs pursuant to A.R.S. §42-5076 for state tax collection and remittance purposes. However, *they are responsible for collecting and*

⁴ For example, A.R.S. § 42-5070(B)(3) provides that the transient lodging classification does not include leasing or renting four or fewer rooms of an owner-occupied residential home, together with furnishing no more than a breakfast meal, to transient lodgers at no more than fifty percent average annual occupancy rate (this deduction does not apply to municipalities under the MCTC).

⁵ A.R.S. § 42-5070(A) defines Transient Lodging as the business of operating, for occupancy by transients, a hotel or motel, including an inn, tourist home or house, dude ranch, resort, campground, studio or bachelor hotel, lodging house, rooming house, apartment house, dormitory, public or private club, mobile home or house trailer at a fixed location or other similar structure, and also including a space, lot or slab that is occupied or intended or designed for occupancy by transients in a mobile home or house trailer furnished by them for such occupancy.

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*remitting taxes under the transient lodging classification, A.R.S. § 42-5070 for the state and county and the hotel (additional hotel, if applicable) and residential rental tax for the cities under the MCTC. See the filing example under Operator (Merchant) Marketplaces in the Appendix. **Note:** As a property management company, the tax base includes the fees charged by the management company for their services to the owner.*

If the real estate company is only providing an online platform for an operator to list a property and is collecting a fee for the listing, then refer to the third-party marketplace analysis above to determine if the company is required to register with the department pursuant to A.R.S. § 42-5005 and § 42-5076 for TPT collection and remittance purposes as an OLM.

See [Property Management Company Examples 3, 4, and 5 in the Appendix](#) for more information.

Lodging Accommodations on Reservations Owned by Native Americans

Generally, where a lodging accommodation is owned by a Native American and the accommodation is located on the reservation for which the tribe is established, the gross receipts derived from the rental of that accommodation is not taxable for TPT purposes. If the Native American owner lists that accommodation on an OLM, the OLM is required to remit taxes on behalf of the owner. However, the rental of such an accommodation is not taxable if the accommodation is not listed on the OLM. Therefore, the income derived from such accommodations owned by a Native American and listed by that Native American on an OLM is also not subject to TPT.

The Native American will give an exemption certificate (Form 5018-R)⁶ to the OLM that documents the ownership of the lodging accommodation located on the reservation of which the Native American is a member.

Advertising Marketplace:

These are companies that use a cost-per-click process or may charge a flat fee. This advertising model is used to direct traffic to websites in which advertisers pay when the ad is clicked. Advertising marketplaces do not meet the definition of an OLM and are not responsible for registering with the department pursuant to A.R.S. § 42-5005 and §42-5076. Advertising is not taxed at the state or county levels. However, cities and towns in Arizona may impose TPT on the business of local advertising. See the MCTC § -405 for more information on the advertising classification.

⁶ This form is available on the department's website.

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See [Advertising Marketplace Example 6 in the Appendix](#) for more information.

Other Online Marketplaces:

In this model, a company provides an online platform for an operator to post their properties. These online marketplace platforms do not provide any other services other than allowing the owner to list their property. Also, they do not receive any compensation from the operator. Thus, these marketplaces do not meet the definition of an OLM and are not be required to register with the department pursuant to A.R.S. § 42-5005 and §42-5076. The operator is the responsible party to license, file and remit the taxes.

See [Other Online Marketplaces Example 7 in the Appendix](#) for more information.

Internet-Based Travel Companies

These third-party marketplaces are internet-based travel companies that primarily book *hotel* rooms. This business model may also bundle airfares, rental cars, and/or other services. Companies that fall under this category may not be required to register with the department pursuant to A.R.S. § 42-5005 and §42-5076 for state tax collection and remittance purposes if they primarily provide lodging accommodations for properties that are classified as Class One Properties for property tax purposes and do not engage in OLM activity.

See [Internet-Based Travel Companies Example 8 in the Appendix](#) for more information.

Other Considerations:

Licensing for Owners/Operators: An online lodging operator or short-term/vacation properties may not offer for rent or rent a lodging accommodation without first obtaining a current TPT license. This is true whether or not the owner or operator offers the accommodation through an OLM. Additionally, long-term property owners are required to be licensed in those cities that impose a privilege tax on residential rentals. Please see the MCTC for more information.

Operators should note that from and after August 27, 2019, penalties are imposed for not obtaining a TPT license or displaying that license on any advertisement, including OLM postings (even if an operator is listing their property only on an OLM website they still obtain a TPT license). If the property is advertised through an OLM, the operator must be able to substantiate that they gave the OLM their current TPT license number. A total of \$250 will be assessed for a first offense and \$1,000 for any subsequent offense. Operators should

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also be aware that additional penalties will be assessed for failure to comply with city or county ordinances where there is a final adjudication of an ordinance violation. Those penalties range from \$500 to half of the gross monthly revenues of the accommodation where the violation occurred or \$1,500, whichever is greater.

Operators that book ONLY through an OLM are still obligated to file a tax return showing the gross receipts received from the OLM with a deduction equal to the amount received from the OLM (deduction code 775). This return should be filed on AZTaxes.gov and the operator may elect to report on an annual basis.

Explanatory Notice

The purpose of a tax notice is to provide general guidance to assist taxpayers in becoming familiar with Arizona tax laws. A tax ruling is intended to encompass issues of law that are not adequately covered in statute, case law or administrative rules, but are not intended to address complex issues in detail or to address a taxpayer's specific circumstance. The relevant statute, case law, or administrative rules, as well as a subsequent notice, may modify or negate any or all of the provisions of any tax notice. If the information in a notice is shown to be erroneous and a taxpayer shows reasonable reliance on that information, the taxpayer is liable for any tax or interest which may result from the erroneous advice, but no penalties will be imposed. See GTR 08-1 for more detailed information regarding documents issued by the Department of Revenue.

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APPENDIX

OLM Example:

Example 1: An operator lists their property located in Arizona on a third-party marketplace digital platform, and the third-party marketplace collects rental payments from the customer on behalf of the operator.

Result: The third-party marketplace meets the definition of an OLM by collecting rental payments on behalf of the operator. The third-party marketplace is required to register with the department pursuant to A.R.S. § 42-5005 and § 42-5076 for TPT collection and remittance purposes for taxes due on any online lodging transaction it facilitates. The online lodging transaction is the charge to the occupant, including a transient as defined in A.R.S. § 42-5070. By definition, these transactions do not include fees the OLM may separately charge in addition to those charged by the operator. Furthermore, the third-party marketplace is not responsible for reporting income derived from lodging accommodations classified as *class one* property for property tax purposes under A.R.S. § 42-12001. This income is documented with an exemption certificate (Form 5019)⁷ received by the OLM from the class one property owner and deducted from the tax base. The OLM is required to report *by jurisdiction* pursuant to A.R.S. § 42-5014(E)(2).

Filing Example of OLM with class one property receipts	
FACTS	RESULT
Total gross receipts from all listed properties of \$430,000	Taxable unless there is an available deduction.
Gross receipts from class one properties of \$15,000 (included in total gross receipts)	Deducted by OLM and reported by class one property owner under transient lodging classification
OLM has multiple listings in multiple locations	Reported by jurisdiction for state/county and city purposes.
Other short-term lodging accommodations included	Included in gross receipts; reported under code 325 (OLM transaction) for state/county and 044 and 144 for cities (hotel and additional hotel)
Gross receipts include other fees charged by the operator including cleaning fees, security fees, additional guest fees	Fees charged by the owner included in OLM gross receipts and taxable
OLM separately charges for its fees in addition to the amount charged by the owner for rental.	OLM fees may only be excluded if separately charged on the invoice from the owner's lodging charges

⁷ This form is available on the department's website

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For simplicity, all lodging occurred in the City of Phoenix, Maricopa County, and no other deductions are addressed.

STATE (AZ) /COUNTY TRANSACTION DETAIL (See Table 1 on the Tax Rate Table, www.azdor.gov)

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
	REG. CODE	NAME OF REGION	BUS. CODE	DESC. OF BUS. ACTIVITY	GROSS RECEIPTS	DEDUCTIONS FROM SCHEDULE A	(F) - (G) = (H) NET TAXABLE
1	MAR	MARICOPA	325	OLM LODGE	430,000.00	15,000.00	415,000.00

CITY TRANSACTION DETAIL (See Table 2 on the Tax Rate Table, www.azdor.gov)

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
LOC. CODE	CITY CODE	NAME OF CITY	BUS. CODE	DESC. OF BUS. ACTIVITY	GROSS RECEIPTS	DEDUCTIONS FROM SCHEDULE A	(F) - (G) = (H) NET TAXABLE
1	PX	PHOENIX	044	HOTEL	430,000.00	15,000.00	415,000.00
2	PX	PHOENIX	144	ADDTL HOTEL	430,000.00	15,000.00	415,000.00

The reported deductions for the City of Phoenix and Maricopa County:

STATE (AZ) /COUNTY DEDUCTIONS DETAIL

(A)	(B)	(C)	(D)	(E)	(F)
	REGION CODE	BUSINESS CODE	DEDUCTION CODE	DEDUCTION AMOUNT	DESCRIPTION OF DEDUCTION CODE
1	MAR	325	794	\$ 15,000.00	OLM: EXEMPT CLASS ONE PROPERTY

CITY DEDUCTIONS DETAIL

(A)	(B)	(C)	(D)	(E)	(F)
LOCATION CODE	CITY CODE	BUSINESS CODE	DEDUCTION CODE	DEDUCTION AMOUNT	DESCRIPTION OF DEDUCTION CODE
1	PX	044	794	\$ 15,000.00	OLM: EXEMPT CLASS ONE PROPERTY
2	PX	144	794	\$ 15,000.00	OLM: EXEMPT CLASS ONE PROPERTY

Operator (Merchant) Marketplaces Example:

Example 2: An operator of three homes located in Arizona creates a website to market its properties, and customers can book the properties directly on the website for short-term and long-term purposes. The operator also markets the properties on an OLM website and receives revenue from bookings through the OLM website.

Result: Since it is the operator who is directly operating the website and offering its properties, the operator is responsible for taxes under the *transient lodging* classification, A.R.S. § 42-5070 for the state/county, unless an applicable deduction applies.⁸ The operator will also be responsible for reporting taxes under the *hotel classification* (additional hotel if

⁸ For example, A.R.S. § 42-5070(B)(3) provides that the transient lodging classification does not include leasing or renting four or fewer rooms of an owner-occupied residential home, together with furnishing no more than a breakfast meal, to transient lodgers at no more than fifty percent average annual occupancy rate.

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applicable) for the cities. Should the operator accept bookings for lodging stays longer than 29 consecutive days, the operator is also responsible for taxes under the *residential rental classification for city tax purposes*. Long-term rentals are *not* taxed at the state or county levels but may be for municipalities.

In addition, since the operator also markets its properties on OLMs, A.R.S. § 42-5070(C)(2) provides a deduction for “[t]he gross proceeds or gross income received” from a registered OLM if the operator has received documentation from the registered OLM that the OLM will remit the tax. The OLM is responsible for remitting the applicable tax to the department for the online transient lodging transactions as well as the online residential rental transactions for the municipalities. **Note:** *Some counties do not impose a tax on OLMs so the operator may notice a difference in the taxes the OLM reports.*

Filing Example of Operator with receipts from OLM	
FACTS	RESULT
Operator’s total gross receipts of \$8,300	All receipts from the operator’s website taxable under <i>transient lodging classification (state/county)</i> . <i>The gross receipts are reported by location at the city level, and the operator is taxable under hotel additional hotel, if applicable unless available deduction exists.</i>
Gross receipts from OLM \$3,500 for short-term stays (included in total gross receipts)	Reported by OLM; OLM provides exemption certificate (Form 5018) ⁹ to operator; operator deducts the amount from its gross receipts (code 775). Note: <i>Some counties do not impose a tax on OLMs, so the operator may notice a different tax rate on the report the OLM provides to it.</i>
Gross receipts from OLM \$2,000 for long-term stays (included in total gross receipts)	Reported by OLM; OLM provides exemption certificate (Form 5018) to operator; operator deducts the amount from its gross receipts (code 776); NOT reportable at state/county levels, but may be taxable by a city. Note: <i>Some counties do not impose a tax on OLMs so the operator may notice a different tax rate on the report the OLM provides to it.</i>
Gross receipts from its direct short-term bookings \$2,800 (included in gross receipts)	Reported by operator under <i>transient lodging classification</i> .

⁹ This form is available on the department’s website

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For simplicity, the transactions occurred in three properties located in the City of Tempe, Maricopa County. No other deductions are addressed other than the one discussed here.

Operator Filing Example

STATE (AZ) /COUNTY TRANSACTION DETAIL (See Table 1 on the Tax Rate Table, www.azdor.gov)

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
	REG. CODE	NAME OF REGION	BUS. CODE	DESC. OF BUS. ACTIVITY	GROSS RECEIPTS	DEDUCTIONS FROM SCHEDULE A	(F) - (G) = (H) NET TAXABLE
1	MAR	MARICOPA	025	TRANSIENT LO	6,300.00	3,500.00	2,800.00

CITY TRANSACTION DETAIL (See Table 2 on the Tax Rate Table, www.azdor.gov)

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
LOC. CODE	CITY CODE	NAME OF CITY	BUS. CODE	DESC. OF BUS. ACTIVITY	GROSS RECEIPTS	DEDUCTIONS FROM SCHEDULE A	(F) - (G) = (H) NET TAXABLE
1	001	TE TEMPE	044	HOTEL	3,500.00	3,500.00	0.00
2	001	TE TEMPE	144	ADDTL HOTEL	3,500.00	3,500.00	0.00
3	002	TE TEMPE	044	HOTEL	2,800.00		2,800.00
4	002	TE TEMPE	144	ADDTL HOTEL	2,800.00		2,800.00
5	003	TE TEMPE	045	RES RENTAL	2,000.00	2,000.00	0.00

Operator Filing Example

The Reported Deductions for the State/Maricopa County and the City of Tempe:

STATE (AZ) /COUNTY DEDUCTIONS DETAIL

(A)	(B)	(C)	(D)	(E)	(F)
	REGION CODE	BUSINESS CODE	DEDUCTION CODE	DEDUCTION AMOUNT	DESCRIPTION OF DEDUCTION CODE
1	MAR	025	775	\$ 3,500.00	TR LODG:ONLNE LODG OPER INC FROM OLM

CITY DEDUCTIONS DETAIL

(A)	(B)	(C)	(D)	(E)	(F)
LOCATION CODE	CITY CODE	BUSINESS CODE	DEDUCTION CODE	DEDUCTION AMOUNT	DESCRIPTION OF DEDUCTION CODE
1	001	TE	044	\$ 3,500.00	TR LODG:ONLNE LODG OPER INC FROM OLM
2	001	TE	144	\$ 3,500.00	TR LODG:ONLNE LODG OPER INC FROM OLM
3	003	TE	045	\$ 2,000.00	RES RNT:ONLNE LODG OPER INC FROM OLM

OLM Filing Example-Reporting gross receipts on behalf of operator

STATE (AZ) /COUNTY TRANSACTION DETAIL (See Table 1 on the Tax Rate Table, www.azdor.gov)

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
	REG. CODE	NAME OF REGION	BUS. CODE	DESC. OF BUS. ACTIVITY	GROSS RECEIPTS	DEDUCTIONS FROM SCHEDULE A	(F) - (G) = (H) NET TAXABLE
1	MAR	MARICOPA	325	TRANSIENT LO	3,500.00		3,500.00

CITY TRANSACTION DETAIL (See Table 2 on the Tax Rate Table, www.azdor.gov)

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
LOC. CODE	CITY CODE	NAME OF CITY	BUS. CODE	DESC. OF BUS. ACTIVITY	GROSS RECEIPTS	DEDUCTIONS FROM SCHEDULE A	(F) - (G) = (H) NET TAXABLE
1	TE	TEMPE	044	HOTEL	3,500.00		3,500.00
2	TE	TEMPE	144	ADDTL HOTEL	3,500.00		3,500.00
3	TE	TEMPE	045	RES RENTAL	2,000.00		2,000.00

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Property Management Company Examples:

Example 3: A property management company contracts with the operator of a property located in Arizona to provide property management services, marketing of the property, and rent collection of *short-term and long-term rental properties* all for a fee. The property management company lists the property on its website.

Result: The property management company does not meet the definition of an *OLM* because the property is not listed by an unaffiliated third-party, and the property management company is itself leasing and managing the property. The operator has contracted with the property management company to provide property management, which includes marketing of the property. However, *the property management company is responsible for collecting and remitting taxes under the transient lodging classification, A.R.S. § 42-5070 for the state and county purposes, and the hotel (additional hotel, if applicable) and residential rental tax for the cities under MCTC §§-100 and -445.* **Note:** As a property management company, the tax base includes the fees charged by the property management company for their services to the owner.

Example 4: A property management company contracts with the operator of a property located in Arizona to provide property management services, marketing of the property, and rent collection all for a fee. The property management company lists the property on its website for short-term and long-term rentals. In addition, the property management company lists the property on third-party marketplaces/OLMs.

Result: The property management company does not meet the definition of an *OLM*. However, because the property management company is also listing the property on a third-party marketplace, then the third-party marketplace is required to register with the department pursuant to A.R.S. § 42-5005 and § 42-5076 as an *OLM* for TPT collection and remittance purposes. Please refer to the third-party marketplace analysis above.

Example 5: A real estate company contracts with an operator located in Arizona to provide property management services, marketing of the property, and collects lodging accommodation fees for short-term and long term rentals all for a fee. The real estate company lists the property on its website.

Result: The real estate company does not meet the definition of an *OLM* because the property is not listed by an unaffiliated third-party. The operator has contracted with the real estate company to provide property management, and that includes marketing of the property. However, *they are responsible for collecting and remitting taxes under the transient*

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lodging classification, A.R.S. § 42-5070 for the state *and the hotel (additional hotel if applicable) and residential rental tax for the cities under MCTC §§ -100 and -445*. See the filing example under Operator (Merchant) Marketplaces. **Note:** As a property management company, the tax base includes the fees charged by the management company for their services to the owner.

Advertising Marketplace example:

Example 6: Company provides an online platform for third-party OLMs to list rental information. When a customer clicks on a desired property in Arizona, they will be redirected to the third-party OLM website responsible for the listing and the online advertising company will receive a fee when the ad is clicked regardless if it leads to a booking.

Result: Online advertising companies that fall under this model do not meet the definition of an *OLM* and are not responsible for registering with the department pursuant to A.R.S. § 42-5005 and §42-5076 for TPT collection and remittance purposes. Online advertising marketplaces only direct potential renters to the actual third-party OLM website responsible for the listing. Please note, however, online advertising companies may be required to register with the department for city tax collection purposes. Please see the MCTC § -405 for more information.

Other Online Marketplace Example:

Example 7: An owner lists their property located in Arizona on an online advertising platform. The operator does not need to pay for this service. The listing includes contact information for the operator. When a customer wants to book the property, they contact the operator *directly* using the information provided on the platform.

Result: Companies that fall under this model do not meet the definition of an *OLM* and are not responsible for registering with the department pursuant to A.R.S. § 42-5005 and § 42-5076 for TPT collection and remittance purposes. However, the property owner is responsible for reporting any applicable taxes as a result of renting their property. In addition, the online advertising company may be responsible for collecting and remitting city taxes.

Internet Travel Based Company Example:

Example 8: An operator sells or contracts to provide a block of rooms in their property located in Arizona to an Internet-Based Travel Company for a reduced price. The operator's property is classified as class one property for property tax purposes. The third-party

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marketplace rents it for a higher price. They may also provide rental car services or airfare services.

Result: The Internet-Based Travel Company provides lodging accommodations for properties classified as class one properties for property tax purposes. Under A.R.S. §42-5076, an Internet-Based Travel Company is not required to report and remit income derived from the rental of class one properties. Instead, the owners of these types of properties are required to report and remit any applicable state, county and city taxes.

Should the Internet-Based Travel Company provide accommodations for properties *not* classified as class one property, they will be required to be registered to file and remit any tax on those transactions and deduct the revenue received from *class one* properties.